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HOUSE OF COMMONS

First Session—Twenty-sixth Parliament  
1963

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STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1-7

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Respecting

BOARD OF GRAIN COMMISSIONERS

(Annual report for 1962)

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TUESDAY, OCTOBER 29, 1963

THURSDAY, NOVEMBER 21, 1963

—DECEMBER 19

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WITNESSES

*From the Board of Grain Commissioners for Canada:* Messrs, F. F. Hamilton, Chief Commissioner; S. Lopton, Commissioner; A. V. Svoboda, Commissioner; W. J. MacLeod, Secretary; E. E. Baxter, Chief Statistician; G. N. Irvine, Director of Grain Research Laboratory; M. M. Ainslie, Assistant Chief Grain Inspector.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963



STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

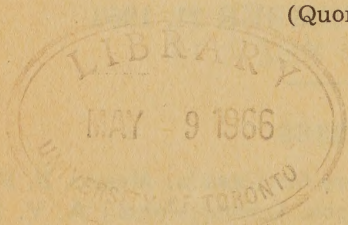
Armstrong,  
Barnett,  
Béchar, d,  
Beer,  
Berger,  
Bigg,  
Boutin,  
Cardiff,  
Crossman,  
Cyr,  
Danforth,  
Dionne,  
Drouin,  
Émard,  
Enns,  
Éthier,  
Forest,  
Forgie,  
Gauthier,  
Gendron,

Groos,  
Gundlock,  
Hamilton,  
Harkness,  
Horner (*Acadia*),  
Jorgenson,  
Kindt,  
Konantz (Mrs.),  
Laverdière,  
Macaluso,  
MacLean,  
Mather,  
Matheson,  
Matte,  
McBain,  
McIntosh,  
Mullally,  
Nasserden,  
Noble,  
O'Keefe,

Olson,  
Ouellet,  
Pennell,  
Peters,  
Pigeon,  
Rapp,  
Ricard,  
Rochon,  
Roxburgh,  
Smallwood,  
Tardif,  
Temple,  
Thomas,  
Vincent,  
Watson (*Assiniboia*),  
Watson (*Châteauguay-  
Huntingdon-Laprairie*),  
Whelan,  
Willoughby—60.

(Quorum 20)

D. E. Levesque,  
(*Clerk of the Committee*)



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## ORDERS OF REFERENCE

### HOUSE OF COMMONS

THURSDAY, June 27, 1963.

*Resolved*,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

#### Messrs.

|                                    |                           |   |
|------------------------------------|---------------------------|---|
| Armstrong,                         | Gendron,                  | O'Keefe,  |
| Asselin ( <i>Richmond-Wolfe</i> ), | Groos,                    | Olson,  |
| Barnett,                           | Gundlock,                 | Ouellet,  |
| Béchar, d,                         | Hamilton,                 | Pennell,  |
| Beer,                              | Harkness,                 | Peters,   |
| Berger,                            | Honey,                    | Pigeon,   |
| Bigg,                              | Horner ( <i>Acadia</i> ), | Rapp,   |
| Boutin,                            | Jorgenson,                | Ricard,   |
| Cardiff,                           | Kindt,                    | Rochon,   |
| Crossman,                          | Konantz (Mrs.),           | Roxburgh,   |
| Cyr,                               | Laverdière,               | Smallwood,  |
| Danforth,                          | Macaluso,                 | Tardif,   |
| Dionne,                            | MacLean,                  | Temple,   |
| Drouin,                            | Mather,                   | Thomas,   |
| Émard,                             | Matheson,                 | Vincent,  |
| Enns,                              | Matte,                    | Watson ( <i>Assiniboia</i> ),                       |
| Éthier,                            | McBain,                   | Watson ( <i>Châteauguay-Huntingdon-Laprairie</i> ), |
| Forest,                            | McIntosh,                 | Whelan,   |
| Forgie,                            | Mullally,                 | Willoughby—60.                                      |
| Gauthier,                          | Nasserden,                |   |
|                                    | Noble,                    |   |

(Quorum 20)

*Ordered*,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, October 2, 1963.

*Ordered*,—That the name of Mr. Madill be substituted for that of Mr. Thomas on the Standing Committee on Agriculture and Colonization.

MONDAY, October 28, 1963.

*Ordered*,—That the names of Messrs. Herridge and Howard be substituted for those of Messrs. Mather and Barnett respectively, on the Standing Committee on Agriculture and Colonization.



WEDNESDAY, October 30, 1963.

*Ordered*,—That the Standing Committee on Agriculture and Colonization be empowered to print, from day to day, such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto; and that it be granted leave to sit while the House is sitting when necessary to suit the convenience of witnesses.

WEDNESDAY, October 30, 1963.

*Ordered*,—That the name of Mr. Choquette be substituted for that of Mr. Macaluso on the Standing Committee on Agriculture and Colonization.

THURSDAY, October 31, 1963.

*Ordered*,—That the following reports, namely:

(1) Report of the Minister of Agriculture for Canada for the year ended March 31, 1963;

(2) Report of the Agricultural Stabilization Board for the year ended March 31, 1963;

(3) Report for 1962 of the Board of Grain Commissioners for Canada;

(4) Report of the Canadian Wheat Board for the Crop Year ended July 31, 1962; and

(5) Supplementary Report of the Canadian Wheat Board on the 1961-62 Pool Accounts for Wheat;

be referred to the Standing Committee on Agriculture and Colonization.

THURSDAY, October 31, 1963.

*Ordered*,—That the names of Messrs. Mather and Boutin be substituted for those of Messrs. Howard and Langlois respectively on the Standing Committee on Agriculture and Colonization.

FRIDAY, November 1, 1963.

*Ordered*,—That the name of Mr. Langlois be substituted for that of Mr. Boutin on the Standing Committee on Agriculture and Colonization.

WEDNESDAY, November 20, 1963.

*Ordered*,—That the names of Messrs. Muir (*Lisgar*), Clancy, Forbes, Cadieu, Southam, Stefanson, and Moore be substituted for those of Messrs. Ricard, Willoughby, Danforth, Cardiff, Madill, McBain, and Noble respectively on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*



## REPORT TO THE HOUSE

WEDNESDAY, October 30, 1963.

The Standing Committee on Agriculture and Colonization has the honour to present its

### FIRST REPORT

Your Committee recommends:

1. That it be empowered to print, from day to day, such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.
2. That it be granted leave to sit while the House is sitting.

Respectfully submitted,

RUSSELL C. HONEY,  
*Chairman.*





## MINUTES OF PROCEEDINGS

TUESDAY, October 29, 1963

(1)

The Standing Committee on Agriculture and Colonization met at 2:00 o'clock p.m. this day for organization purposes.

*Members present:* Mrs. Konantz and Messrs. Armstrong, Asselin (*Richmond-Wolfe*), Béchard, Beer, Berger, Cardiff, Crossman, Cyr, Danforth, Dionne, Emard, Ethier, Forest, Forgie, Gauthier, Groos, Hamilton, Herridge, Honey, Horner (*Acadia*), Jorgenson, Laverdière, Macaluso, Madill, Matheson, Matte, McIntosh, Mullaly, Nasserden, Noble, Olson, Peters, Pigeon, Rapp, Roxburgh, Vincent, Watson (*Assiniboia*), Watson (*Chateauguay-Huntingdon*) and Willoughby—(41).

The Clerk attending, Mr. Béchard moved, seconded by Mr. Forest,

*Resolved*,—That Mr. Russell C. Honey be elected Chairman of the Committee.

On motion of Mr. Herridge, seconded by Mr. Matte, nominations were closed.

Mr. Honey, duly elected Chairman, took the Chair and thanked the Committee for the honour conferred on him.

Moved by Mr. Forest, seconded by Mr. Forgie,

*Resolved*,—That Mr. Patrick Asselin (*Richmond-Wolfe*) be Vice-Chairman of the Committee.

After discussion Mr. Asselin was elected on the following division: Yeas 20, Nays 8.

The Chairman asked the Clerk to read the Order of Reference.

Moved by Mr. Horner (*Acadia*), seconded by Mr. Hamilton,

*Resolved*,—That the Committee seek leave to sit while the House is sitting. (*See bottom note.*)

Mr. Peters objected on the grounds that the Committee had no Order of Reference and that this motion was unnecessary at this time.

The motion carried on the following division: Yeas 31; Nays 1.

Moved by Mr. Hamilton, seconded by Mr. Ricard,

*Agreed*,—That the Subcommittee on Agenda and Procedure be comprised of the Chairman, Vice-Chairman and five (5) Members to be named by him after consultation with the party Whips.

It was agreed that the quorum remain as twenty (20) Members.

Moved by Mr. Béchard, seconded by Mr. Matte,

*Resolved*,—That permission be sought to print from day to day such papers and evidence as may be ordered by the Committee.

Moved by Mr. Olson, seconded by Mr. Beer,

*Agreed*,—That the Committee print 750 copies in English and 250 copies in French of the Minutes of Proceedings and Evidence of the Committee.

Mr. Pigeon suggested that when representatives of the Federation of Agriculture come before the Committee, that the Catholic Farmers Union (U.C.C.) and the "Coopérative Fédérée" be also invited.

Mr. Olson moved, seconded by Mr. Béchard;—That the Standing Committee on Agriculture and Colonization request the consent of the House of Commons to examine and enquire forthwith, into all matters arising out of and relating to the difference between the prices received for Feed Grain by the producers in the Prairie Provinces of Canada and the price paid by livestock feeders in Eastern Canada and British Columbia.

After discussion, it was agreed that, this motion be referred to and studied by the Subcommittee and a report made to the Committee at its next sitting.

D. E. Levesque,  
*Clerk of the Committee.*

NOTE: See Order of Reference of October 30, printed herein, FIRST REPORT to the House having been amended by unanimous consent (see *House of Commons Votes and Proceedings of October 30, page 503.*)

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THURSDAY, November 21, 1963.

(2)

The Standing Committee on Agriculture and Colonization met this day at 9:30 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Cadieu (*Meadow Lake*) Clancy, Choquette, Cyr, Dionne, Emard, Enns, Forbes, Forest, Forgie, Gauthier, Hamilton, Harkness, Honey, Horner (*Acadia*), Jorgenson, Kindt, Langlois, Laverdiere, McIntosh, Moore (*Wetaskiwin*), Mullally, Muir (*Lisgar*), Nasserden, O'Keefe, Olson, Peters, Pigeon, Rapp, Roxburgh, Smallwood, Stefanson, Southam, Vincent, Watson (*Assiniboia*), Whelan,—(37).

*In attendance:* For the Board of Grain Commissioners, Messrs. F. Hamilton, Chief Commissioner, S. Loptson, Commissioner, A. V. Svoboda, Commissioner, W. J. MacLeod, Secretary of the Board, Dr. G. N. Irvine, Chief Chemist, E. E. Baxter, Chief Statistician and M. Ainslie, Assistant Chief Grain Inspector.

The Chairman announced that Messrs. Asselin (*Richmond-Wolfe*) Hamilton, Langlois, Mullally, Olson and Peters would act with himself as members of the Subcommittee on Agenda and Procedure.—(7).

The Chairman asked the Clerk to read the Report of the Subcommittee meeting of November 7th:

The Steering Committee of the Standing Committee on Agriculture and Colonization met this day at 4:00 o'clock p.m. in the Chairman's Office.

*Members present:* Messrs. Honey, Hamilton, Olson, and Peters.—  
(4).

After discussion it was suggested by Mr. Hamilton that the Committee's *first* Order of Business should be the Report of The Board of Grain Commissioners for Canada for the year 1962.

It was also suggested that the *second* Order of Business should be the Annual Report of the Canadian Wheat Board for the Crop Year ended July 31, 1962, followed by the Supplementary Report of The Canadian Wheat Board on the 1961-62 Pool Accounts for Wheat.

*Agreed:*—That the Chairman make arrangements for the attendance of the Commissioners of The Board of Grain Commissioners for Canada and the Officials of the Canadian Wheat Board.

Members agreed with the suggestion of Mr. Olson that the question of the price of feed grain in Eastern Canada should receive early consideration by the Committee.

*Resolved:*—That the report of the Subcommittee be adopted as read.

The Chairman introduced Mr. Hamilton who then introduced the other Commissioners and Officials of the Board of Grain Commissioners.

The witnesses were called and answered questions.

On motion of Mr. McIntosh, seconded by Mr. Hamilton, requesting an opinion from the Department of Justice as to the application of the Statistics Act which might prevent the Board of Grain Commissioners from revealing certain statistical information to the Committee, was referred to the Steering Committee.

Mr. Pigeon moved, seconded by Mr. Langlois, that the Minister of Agriculture be asked to attend the Committee meeting this afternoon; if this is impossible, request his attendance at the earliest possible date.

This motion was referred to the Steering Committee.

At 12:45 p.m. the Committee adjourned to 3:30 p.m.

## AFTERNOON SITTING

(3)

The Committee reconvened at 3:50 p.m. The Chairman Mr. Russell C. Honey, presiding.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Cadieu (*Meadow Lake*), Clancy, Crossman, Cyr, Dionne, Drouin, Ethier, Forbes, Forest, Gauthier, Hamilton, Harkness, Honey, Kindt, Langlois, Laverdiere, Matte, Moore (*Wetaskiwin*), Muir (*Lisgar*), Mullaly, Nasserden, Olson, Ouellet, Peters, Pigeon, Rapp, Stefanson, Smallwood, Southam, Tardiff, Vincent, Watson (*Assiniboia*),—(33).

*In attendance:* —Same as morning sitting.

The Chairman read the Subcommittee report of its meeting this day.

The Steering Committee of the Standing Committee on Agriculture and Colonization met at 12:15 p.m. this day.

*Members present:* Messrs. Honey, Hamilton, Langlois, Asselin (*Richmond-Wolfe*), Peters, Mullaly and Olson,—(7).



The Subcommittee agreed on the following requests to be made to the Minister of Agriculture:

1. Will the Minister agree to detailing the official of the Board of Grain Commissioners who is the expert on the storage for grain in Eastern Canada to answer questions relating to the availability and adequacy of storage facilities to service Eastern feeding?
2. Relative to the Motion of Mr. Pigeon, seconded by Mr. Langlois, the Minister of Agriculture be asked to attend the Committee meeting this afternoon, and if this is impossible request his attendance at the earliest possible date.
3. If the Minister is unable to attend the Committee meeting this afternoon will he authorize Mr. Baxter to give evidence as to the adequacy of storage facilities at Prince Rupert?
4. Relative to the Motion of Mr. McIntosh, seconded by Mr. Hamilton, the Chairman and the Clerk are to draft a letter to the Department of Justice requesting an opinion as to the application of the Statistics Act or other legal prohibitions which might prevent the Board of Grain Commissioners from revealing certain statistical information to the Committee. The draft letter is to be reviewed by Mr. McIntosh and the Steering Committee before it is forwarded to the Department of Justice.

Moved by Mr. Asselin (*Richmond-Wolfe*), seconded by Mr. Hamilton,

*Resolved:* That the report of the Subcommittee be adopted as read.

The Committee continued its study of the annual report of the Board of Grain Commissioners and the witnesses were further examined.

At 6:40 p.m. the examination of the witnesses being concluded the Committee adjourned to the call of the Chair.

D. E. Levesque,  
*Clerk of the Committee.*

NOTE: Two documents tabled by Mr. Baxter in the course of his examination appear as Appendices 1 and 2 to this day's evidence.

## EVIDENCE

THURSDAY, November 21, 1963.

The CHAIRMAN: The Clerk advises me we have a quorum.

I might report to you first of all that the following members of the committee, pursuant to our organizational meeting, have agreed to serve with me on the subcommittee on agenda and procedure. These persons are Messrs. Asselin (*Richmond-Wolfe*), the deputy chairman, Hamilton (*Qu'Appelle*), Langlois, Mullally, Olson, Peters and Honey. The subcommittee met on November 7. I will ask the Clerk of the committee to read the report of the steering committee.

The CLERK: reading.

*(see Minutes of proceedings)*

The CHAIRMAN: You have heard the report of the subcommittee. Does the committee confirm that report?

Report adopted.

The CHAIRMAN: Would the committee like the Clerk to read the order of reference from the house, or shall we dispense?

Some hon. MEMBERS: Dispense.

The CHAIRMAN: It is agreed that we dispense with the reading of the order of reference.

Gentlemen, we have before us today for consideration the report of the Board of Grain Commissioners for Canada for the year 1962. It is my pleasure to introduce to you the chief commissioner of the board, Mr. Frank Hamilton. I am sure many of you know Mr. Hamilton. I will tell you briefly about him, and then ask him in turn to introduce the members and officials of the board who are attending with him here today.

Mr. Hamilton was born in Saskatchewan and received all his education in that province. He is a graduate of the University of Saskatchewan. Mr. Hamilton has been an active farmer and has been active on various farm organizations during the period 1940 to 1951. He served with the Royal Canadian Air Force and was awarded the Distinguished Flying Medal and the Distinguished Flying Cross. In 1961 he was appointed assistant grain commissioner of the Board of Grain Commissioners for Canada, and in 1962 he was appointed to his present position as chief commissioner of the board of grain commissioners.

It is my pleasure to present to you Mr. Hamilton and ask him to introduce his board members and officials.

Mr. FRANK HAMILTON (*Chief Commissioner, Board of Grain Commissioners for Canada*): Thank you, Mr. Chairman. Good morning, gentlemen. We are pleased to be with you today. I would like to introduce my colleagues, Mr. Stan Loptson, commissioner, Mr. A. V. Svoboda, commissioner, Mr. W. J. MacLeod, secretary of the board, Dr. G. N. Irvine, chief chemist, Mr. E. E. Baxter, chief statistician of the board, and Mr. M. Ainslie, assistant chief grain inspector. Mr. Ainslie is here in the place of Mr. Conacher who is presently visiting in Russia.

The CHAIRMAN: Thank you, Mr. Hamilton.

I might mention, gentlemen, that there are no French reporters available for the meeting and the English reporters present will please take note of the interpretation. I would ask members of the committee who address the meeting in French to allow the interpreters to cut in as they may see fit.

We will now move on to the consideration of the report of the Board of Grain Commissioners for Canada which is before us. I am at the disposal of the committee in respect of the procedure we follow.

Mr. McINTOSH: Mr. Chairman, before the report is taken up, may I ask a question? I am asking this in view of previous correspondence I have had with the board. It is a matter of an understanding which I wish to have clarified, and I think you can do it, Mr. Chairman. On a previous occasion I wrote to the board asking a number of questions, and I had a reply back from one of the commissioners. I believe this is a matter of legal interpretation. I would like your ruling on this. I will not read the whole of the letter to the committee, other than to say to you that they said they could not give me this information. They said:

Certain information we are constrained, by the provisions of the Statistics Act, from revealing to any source except for the purpose of prosecution in a competent court.

The letter continues:

In particular, we refer you to sections 3, 8, 10, 15, 20, 22, 25, 26, 32 (f) and (j), 34 (c) and 39 of the Statistics Act.

So far as I am concerned, the Statistics Act is an act relating to the dominion bureau of statistics which I contend has absolutely nothing to do with the Board of Grain Commissioners for Canada. Now, if this letter is correct, then I feel I am wasting my time here asking the commissioners any questions because they can withhold from us any information they feel they do not wish to give us.

Mr. Chairman, I want to know what information we, as members of parliament, are allowed to have from the board of grain commissioners.

This letter, to which I have made reference, was signed by Mr. Svoboda, and I think he could throw some light on this situation. He is a lawyer, and there are other lawyers who are members of this committee who could argue the point to which he has made reference in respect of this act. It is my contention that this act has nothing to do with the information given by the grain commissioners to this committee. I would like to have that understood before we start.

The CHAIRMAN: Perhaps we could hear from Mr. Svoboda on that point, and then if other members of the committee wished to make representations to the chairman I would be very anxious to hear them.

Mr. A. V. SVOBODA (*Commissioner, Board of Grain Commissioners*): Mr. Chairman, and gentlemen, as I read the provisions of the Statistics Act I definitely feel that the Statistics Act does apply. I have not the act with me, but I think you will find the interpretation is that it does apply. Our chief statistician is bound to supply certain information and statistics to the statistical department.

My interpretation of it is that certain information which would implicate individuals, or such information as would amount to revealing all information concerning the operation of the business of an individual, must not be revealed except to a court of competent jurisdiction.

If you think I am wrong on this point, perhaps it would be advisable if the committee obtained an interpretation from the Minister of Justice.



The CHAIRMAN: Are there any further comments to be made on this point which was raised by Mr. McIntosh?

Mr. LANGLOIS: Mr. Chairman, for the benefit of my French speaking friends it would be appreciated if we could have a translation of the discussion which has taken place to date.

Mr. FORBES: Mr. Chairman, I wonder if Mr. McIntosh would indicate the nature of the information that the board of grain commissioners has refused to reveal.

The CHAIRMAN: May I make a comment now and then ask for the committee's concurrence?

I have not had an opportunity to consider this matter, but irrespective of what our opinions may be, I think that if, as Mr. Svoboda has indicated, the Statistics Act does in effect preclude the revealing of certain information, we are bound by that statute. The suggestion I am going to make to the committee for their consideration and, I hope, concurrence, is that we proceed and when a specific matter arises which has any relation to Mr. McIntosh's questions we will proceed to deal with it at that time.

Mr. MCINTOSH: If I may say a further word on that, Mr. Chairman, this is a matter of principle as far as I am concerned, and unless this question is settled before we start I feel I am wasting my time on this committee. Also, I feel the government is wasting the taxpayers' money by having this board come down here, if the attitude taken by Mr. Svoboda is that they can withhold any information they deem fit.

I certainly do not think the authority he quoted, namely the Statistics Act, has anything to do with the grain commissioners in the first place, because this is the act dealing with the dominion bureau of statistics; it has nothing at all to do with the board of grain commissioners.

The information that I think they are entitled to withhold is in respect of elevator companies revealing to them information regarding their business when they are asking for an increase in tariff as to their profit and loss.

But as I understand the function of the board of grain commissioners for Canada it is to police the grain trade on behalf of the producers, and if we as representatives of the people are not going to get the information from the grain commissioners that we feel the people should have, then there is no use in sitting here. I would say that I have the answers to the information for which I asked. This is in regard to the grade gain at certain elevator points, in regard to shortages or overages. It has nothing to do with the profit or loss of the grain companies but it concerns the profit or loss of the farmers in that area. We as representatives are entitled to that information if we want it and deem it necessary. I think it should be settled before we start on the brief.

The CHAIRMAN: Mr. Hamilton might say something on this point now if the committee would hear him please.

Mr. F. HAMILTON (*Chief Commissioner, Board of Grain Commissioners for Canada*): Our stand is we feel we must have the confidence of the grain companies, and there is a pretty fine line here in just deciding how far you can go in certain things. Mr. McIntosh hit on one point which we feel is confidential. When we set these tariffs we give it the best try we can to indicate the true financial picture of the company, and this is pretty confidential information, but it certainly is not our intention to withhold anything on the grade gains and overages. We feel there is a danger here that we might tend to drive the companies underground, and if we do this we just could not get the true picture. However, I think the only point about which we are worried is the financial set-up of the companies.

Mr. HAMILTON (*Qu'Appelle*): Is there not a point of compromise here? Mr. McIntosh wants to know about the overages and shortages and these are matters that are vital to carry on the functions of the board of grain commissioners. However, the board of grain commissioners has also the responsibility not to divulge the business of private companies or individual farmers unless it is required in a court of law. Would not a compromise be found in the fact that the chief commissioner is prepared to give all the information he can, to give it in totals or in areas without individually naming the companies? I do not think you should name the companies unless we think here there is evidence that the board of grain commissioners has not carried out its functions and that there is some form of legal action which should be taken. Could we arrive at a compromise on the basis of giving the figures for the whole area or for the areas, whatever you keep them by, and see if we cannot go along to meet the request of Mr. McIntosh without divulging information which would make the companies feel that their personal business was being divulged to other individuals and to their competitors?

Mr. McINTOSH: If I might say a word on that; an explanation such as, Mr. Hamilton has given I can understand but when they say to me that an act which does not refer to the grain commissioners at all is authority for withholding, then it annoys me. I want that straightened out, whether this act does bind the grain commissioners or whether this is an authority for them, because there is a danger here that if for some reason they want to withhold information from this committee they can always hide behind this act if it is binding.

Mr. HAMILTON: Mr. Chairman, we have here with us this morning Mr. Baxter, the chief statistician. Mr. Baxter, could you say a few words?

Mr. E. E. BAXTER (*Chief Statistician, Board of Grain Commissioners for Canada*): Mr. Chairman, gentlemen, the Statistics Act is generally accepted in the area of professional statisticians as binding all of us no matter what other areas we may happen to work in, in this primary respect that the information supplied to us wherein it relates to the operation of a single individual company is inviolate. Now, I grant that the information that I receive with respect to the operation of individual companies, and as Mr. McIntosh points out, in particular the individual company at an individual point, is in turn passed to my own board. However, it is considered there that it is held within the immediate confidence of the board and is used for the administrative and judicial review of that particular company's operations. In answering the general question, I feel bound by the Statistics Act notwithstanding the fact that my operations are under the terms of the Canada Grain Act.

Mr. HAMILTON (*Qu'Appelle*): Would there be any objection to the following suggestion? You do give the figures for the whole industry in your report; could you go a little further in the breakdown without naming any specific company or individual?

Mr. BAXTER: I think that it would be possible to group these statistics by certain areas, provided we had the co-operation of the questioner, particularly of Mr. McIntosh in this case, to allow us to establish the area in sufficient breadth that no one particular company could be singled out. In some of these statistics, particularly in areas in which one company has pretty much a monopoly, say in certain areas in Saskatchewan where the Saskatchewan wheat pool is the only company operating within a fairly wide area, it could be rather difficult to establish an area that was meaningful. We might get a pretty wide spread of country to get enough coverage so that we would not divulge the private business. Other than that it should be possible to break it down in reasonable areas and in reasonably meaningful areas.



Mr. McINTOSH: Could we get a ruling from the Department of Justice on this? We do not need to have it right away but I feel, regardless of what this gentleman has said, that possibly because of monopoly control of certain areas by certain individuals the time will come when the producers will want to know if there is any flagrant coverage in that area owing to the fact that one company has a monopoly and can contribute to an overage by one means or another.

Because a company is large enough to have a monopoly in one area I do not think they should be restricted from giving the information to the producer which he is entitled to get.

The amount of information we as a committee are entitled to get and the amount you can withhold from us is strictly a matter of principle with me. As I said, the act in question refers only to the dominion bureau of statistics. I may be wrong, but I would like a legal interpretation of this.

The CHAIRMAN: Without having studied the point but having listened to the representations made both by members of the committee and by the chief commissioner and members of the board, I would think that the Statistics Act itself, taken as you say, Mr. McIntosh, does not specifically apply; that is, it does not say in so many words that it applies to this board, and that it is for the purpose of largely protecting individuals and companies in their operation of business. For example, I think it protects each one of us here in our particular income tax returns or other returns which we may file with the government. However, I would agree we should have an interpretation from the Department of Justice in respect of how far we may properly go and to what extent the board is required to give this committee information.

In this respect I am following generally the suggestion of Mr. Alvin Hamilton. If the committee agrees, could we proceed at this time?

If the members of the committee would like to have this matter referred to the Department of Justice I think perhaps there should be a motion made. If this motion is carried I will see that it is referred immediately.

Mr. McINTOSH: Mr. Chairman, I will make that motion myself.

I would like to say at this time that I have to catch a plane close to 11 o'clock and I do not want the commissioners to think I am going out because I am annoyed; I just have to leave at that time.

Mr. HAMILTON (*Qu'Appelle*): I will second the motion, Mr. Chairman. However, I would like to add, if I may, a little stronger proviso than your summary gives.

In protecting the interests of the farmers in bringing their grain into elevator companies in western Canada, I think we should have the right to question the board not only on the statistics for the whole area but on whether in their judgment, there is any particular company which shows up fairly heavily in the statistics of overages. I am not saying we should be given the name; but, if they say there is one company, then we could ask what they are doing about it. I do not want to leave the feeling that we are impinging on the rights and the principle in the collection of statistics; the main thing that impresses me about his statement is his statement, which I believe to be true, that to get complete co-operation in the handing over of the statistics these grain companies have to have the feeling that they are not being hounded, and in our search for persons abusing the act we should not abuse the right of the company to keep certain items of its business to itself.

Would that extension be acceptable to the committee?

The CHAIRMAN: I agree with you, Mr. Hamilton, but I was wondering if the actual wording of the submission to the Department of Justice could be agreed upon by the steering committee. As you know, Mr. Hamilton is a member of that committee.



Some hon. MEMBERS: Agreed.

The CHAIRMAN: Would you like me to repeat the motion in English or are you prepared for the question now?

Some hon. MEMBERS: Question!

The CHAIRMAN: Then, will you indicate your consent or concurrence in the motion that the matter which has been raised and discussed now be referred to the Department of Justice; that the steering committee be empowered to draft and agree upon the exact submission to be made to the department; and that we ask for a ruling as quickly as possible.

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Is that agreed?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: May we proceed now, if there are no other preliminary matters to be put forward, to the consideration of the report.

Mr. LANGLOIS: Mr. Chairman, will we have the opportunity of bringing up questions, other than what may be put in reference to the report before us, after the board has finished with its report? Or should we do it now?

The CHAIRMAN: What particular matters have you in mind?

Mr. LANGLOIS: I have certain questions to bring up which relate to their functions.

The CHAIRMAN: If I could make this suggestion, Mr. Langlois, to you and members of the committee, in prior meetings when this board has appeared before the committee the report has been considered paragraph by paragraph, and questions arising out of each paragraph have related to that particular paragraph. I would suggest that we proceed in that manner, without prejudice, of course, to the rights of members asking questions. In other words, we will not close off the examination with each paragraph; we will be able to revert at the conclusion of the consideration of the report to other questions. Is the committee agreeable to proceeding in that fashion?

Some hon. MEMBERS: Agreed.

Mr. LANGLOIS: I agree with you, Mr. Chairman but, I have not seen the whole report and there might be some questions which are not included in the report which I may want to put, and I was wondering if you wished me to put them now or at the end.

The CHAIRMAN: I would prefer if we could proceed with the report because this is the matter of reference given to us by the house, and your questions probably will come up in natural sequence during the consideration of the report. Is that agreed?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. MacLeod, would you proceed with the first part of the report?

Mr. W. J. MACLEOD (Secretary, Board of Grain Commissioners): Mr. Chairman, this report was submitted on January 28, 1963 to the Hon. Alvin Hamilton, M.P., Minister of Agriculture, Ottawa, Canada.

The CHAIRMAN: If I may interrupt, Mr. MacLeod, may I ask if the members at the back of the committee room can hear?

Some hon. MEMBERS: No.

The CHAIRMAN: Would you speak a little louder, Mr. MacLeod?

Mr. MACLEOD:

We beg to submit herewith report of the board of grain commissioners for Canada for the year 1962 in compliance with Section 23 of the Canada Grain Act.

This report records information and statistics relating to grain handlings for the crop year August 1, 1961, to July 31, 1962, expenditures and revenue for the fiscal year April 1, 1961, to March 31, 1962, and summarizes the major activities of the board for the 1962 calendar year.

#### Grain Supplies and Disposition — Crop Year 1961-62

Canada's 1961 crops of the five principal grains—wheat, oats, barley, rye and flaxseed—totalled just over 700 million bushels for the smallest combined output of these five grains since 1937. This reduced production level, coupled with a relatively high volume of grain exports, reduced the total year ending stocks of these grains at July 31, 1962, to 537.0 million bushels—some 36 percent below the previous year's revised July 31 carryover and reflecting the smallest year end holdings of grain in Canada since 1952.

Total stocks of Canadian grain held either in licensed storage, in farm bins or in transit on August 1, 1961, stood at 850.5 million bushels. The 1961 crops of wheat, 283.4 millions, oats 284.0 millions, barley 112.6 millions, rye 6.5 millions, and flaxseed 14.3 million bushels reflected the lowest output of these grains in most cases in over twenty years. The available supplies for 1961-62 comprised of new production and the inward carryover amounted to 1,551.3 million bushels for either domestic use or export—approximately 400 millions less than the stocks of grain available during the 1960-61 season.

The 1961-62 commercial disappearance volume was made up of slightly heavier exports of grain and wheat flour totalling 410.3 million bushels plus a further 604.0 millions moving into Canadian domestic channels for feed, seed, human food and industrial use. The combined disappearance total of 1,014.3 million bushels exceeded new production by more than 300 millions and reduced the closing stocks to 537.0 million bushels of the five principal grains on July 31, 1962.

The CHAIRMAN: Gentlemen, are there any questions arising out of that particular paragraph?

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I have one short question. You quoted the figure of stocks in the amount of 850 million bushels in all sources; would you give the committee a brief summary of how that estimate is arrived at?

Mr. E. E. BAXTER (*Chief Statistician, Board of Grain Commissioners*): Mr. Chairman, that figure includes the farm stocks, which are arrived at by an estimating arrangement handled by the Dominion Bureau of Statistics here in Ottawa, through their agricultural division. The remainder of the total is arrived at from the actual reports submitted to us by the elevator operators. That is the farm stock portion, which is arrived at by a farm stock survey, and the balance is the actual accounting figure of grain stocks in large elevator storage.

Mr. HAMILTON (*Qu'Appelle*): I have a supplementary question. Was this figure of 850 million arrived at before the dominion bureau of statistics revised its estimates of the holdings on farms, which takes place every five years?

Mr. BAXTER: Yes, it was.

Mr. HAMILTON (*Qu'Appelle*): The figure given here is the estimate on the basis of the techniques of the bureau of statistics before they revised their figure in the fall of 1961?

Mr. BAXTER: That is correct.

Mr. HAMILTON (*Qu'Appelle*): Therefore, this is out by approximately 115 million bushels.

Mr. LANGLOIS: In respect of the figure of 700 million bushels which is mentioned in this paragraph, is it possible, for example, to obtain the different grades that have been sold, namely Number 1 northern wheat, Number 2, and different grades of oats also?

Mr. BAXTER: Yes, I have those figures in so far as the licensed elevator storage is concerned. The farm stock totals are broken down roughly by the Canadian wheat board with reference to wheat, oats and barley. But, as Mr. Hamilton pointed out, the figures for that particular date were subsequently subject to a very substantial upward revision, and I do not think there was any attempt made to revise the grade composition of the revised stocks. But I can supply the elevator storage totals.

Mr. LANGLOIS: This may not be within your jurisdiction. In respect of the price for the different grades of these 700 million bushels, is that the price paid to the wheat board or the farmer?

Mr. BAXTER: That would be to the wheat board.

The CHAIRMAN: If there are no further questions, may we move on to the next paragraph?

Mr. MACLEOD:

#### Marketings

The small crop produced during 1961 was reflected in a 134.0 million bushel reduction in the volume of grain marketed by producers through the licensed elevator system during the 1961-62 crop year. For the first time in a number of years, the level of marketings was not restricted in total, at least, by congested conditions within the elevator system. Country elevator stocks dropped progressively throughout the crop year and at the close of the season amounted to 194.6 millions compared with 288.6 millions of the five principal grains held in these prairie elevators at the previous year ending. During the crop year, farmers' deliveries both east and west amounted to 415.4 million bushels made up of 311.7 millions of wheat, 28.3 millions of oats, 59.3 millions of barley, 4.0 millions of rye and 12.1 millions of flaxseed. Western country elevators received 404.4 millions of prairie farmers grain, interior mills and private terminals handled 3.6 millions while platform loadings amounted to .1 millions. Deliveries of eastern grown grain at licensed eastern elevators totalled 7.2 million bushels which was the highest level of eastern grain marketings since 1953-54.

Mr. MUIR (*Lisgar*): Do you receive a report from the private milling companies or food companies as to the amount of stock they use? I am thinking of processed feed.

Mr. BAXTER: There are two kinds of milling operations. Feed operations do not come under our jurisdiction and are not included in these statistics. Then there are the non-quota feed mills in the prairie provinces which number, I think, around 200; and approximately 25 operate with a board of grain commissioners' licence. They are the only ones which report to us. The feed mills in eastern Canada do not report to us in this respect.

Mr. MUIR (*Lisgar*): My question had to do, of course, with prairie operations, and I wondered if you had a figure for non-quota feed grains?

Mr. BAXTER: No.

Mr. OLSON: Do you ask them for it?

Mr. BAXTER: No.

Mr. OLSON: Have you asked any of these feed mills which are not licensed under the act, just for your own information? I realize they are not required to give you this information.



Mr. BAXTER: As part of their agreement with the Canadian wheat board—and I am referring to the western group, the non-quota group—they do report their total purchase of non-quota feed grains. I have access to that figure through co-operation with the wheat board, but we do not include it as part of our statistics. However, the total commercial disappearance or the total usage of grain is arrived at on an estimated basis by the Dominion Bureau of Statistics.

Mr. OLSON: And it is included in that figure?

Mr. BAXTER: It would include that, yes.

The CHAIRMAN: Gentlemen, may we move on to the next section please.

Mr. MACLEOD:

### Country Elevator Shipments

Returns received from country elevator licensees indicate a volume of car loadings in 1961-62 of 501.5 million bushels—some 75.0 millions below the previous crop year's total. The heavier export movement out of the Pacific seaboard resulted in a substantially increased percentage of this carlot traffic being directed to west coast terminals. Loadings billed to the Pacific seaboard accounted for 35.6 per cent of the total rail loadings compared with 27.7 per cent in 1960-61 and a recent average level of about 25 per cent of the country elevator boxcar traffic. Shipments to Churchill represented 3.7 per cent of the total traffic while carlots to the Lakehead accounted for only 47.0 per cent of the total forwarding movement from country elevators. The individual grain breakdown of country elevator shipments includes the following amounts—1960-61 statistics shown in brackets: Wheat 389.0 millions (410.1 millions), oats 25.0 millions (41.6 millions), barley 71.1 millions (101.3 millions), rye 4.6 millions (5.7 millions) and flax-seed 11.8 millions (17.8 millions).

Mr. HARKNESS: From how far east in Saskatchewan does the Pacific movement extend?

Mr. BAXTER: Prior to the switchover to the heavy movement through the St. Lawrence and when perhaps the Pacific was handling a larger percentage of the volume, it was back as far as Regina. But, I think perhaps the wheat board would be in a better position to answer your particular question. In our detailed statistics we cannot split the province of Saskatchewan very accurately down the middle, geographically, as to the flow.

Mr. HARKNESS: Where is the point at which the freight cost gets to the same point or is equal?

Mr. BAXTER: About 100 miles inside, or less than that. Scott, Saskatchewan, is the break even point. However, the line does not run directly due north and due south; it wavers slightly toward the east as it goes south.

Mr. MUIR (*Lisgar*): Under present conditions do you see any opportunity of increasing the shipments through Churchill?

Mr. BAXTER: The problem at Churchill is not only climatic but also seasonal, and I do not mean to play on words there. The period in which you actually can ship through Churchill is roughly from the last week in July through to about the first week of November at the very latest, and preferably the last week in October; the ice and weather conditions are extremely difficult both before and after that, and this was particularly evident this year when the last ships coming in suffered extensive damage. The other factor which I referred to as seasonal is that the Churchill movement coincides with perhaps the low point in Canadian export shipping. Churchill grain goes largely to the United Kingdom and the continent, and

the months of August, September and October are perhaps the times when the continent least needs our grain because of their crops coming along at that point. Their storage facilities are filled and they do not want it at that time.

This question has been gone into on a number of occasions, and it seems that the present level of 20 million or 22 million is about as high a volume of grain as can be successfully worked through Churchill. If we were to work more through there at that time it would mean we would have to reduce the already fairly small shipments moving out of the St. Lawrence ports during the same period.

Mr. RAPP: Mr. Chairman, may I direct a question in respect of the Hudson bay port? With the prospect of a continued market to Russia, could not the facilities of the Hudson bay port be extended for the simple reason you mentioned, namely that England and other countries are in the position that their crop comes in at about the same time that our shipments go out. But, in regard to Russia, would it not be possible then to ship some grain either through Murmansk or other ports in Russia, which would have the result of extending the period actually in which grain could be shipped out of Churchill.

Mr. BAXTER: Mr. Chairman, I would suggest perhaps this question should be directed to the wheat board, as they would be able to give a more informative answer from the point of view that this subject probably has been discussed—and I do not know this for a fact—between the wheat board and Russian officials at the time when negotiations were going on. At that time it was too late in the season to work anything out effectively for this past shipping season but possibly it has been explored with reference to the next summer's movement, provided the Russian contract extends through that period.

Mr. FORBES: Are the loading facilities at Churchill being used to the limit during that period of time in which grain can be shipped out of there?

Mr. BAXTER: The cleaning and handling facilities at Churchill were improved over the past year. The dock area was expanded so they could tie up additional ships. In the past it was considered Churchill was being used to its capacity; it was cleaning on a 24 hour basis at certain times so, in other words, 20 million was the limit. I do not know whether or not the national harbours board officials have assessed what the new plant will do; possibly it could be expanded.

Mr. HAMILTON (*Qu'Appelle*): When you say "expanded" what do you mean?

Mr. BAXTER: In the handling of volume.

Mr. HAMILTON (*Qu'Appelle*): I am speaking now of your cleaning and drying facilities there. Are there any drying facilities there at all?

Mr. BAXTER: Yes.

Mr. HAMILTON (*Qu'Appelle*): There are?

Mr. BAXTER: Yes.

Mr. HAMILTON (*Qu'Appelle*): It is the cleaning and drying which concerns us because we know the spouts and belts can handle it if the drying and cleaning facilities can be increased.

Mr. RAPP: In respect of cleaning and drying facilities, would it not be possible that grain shipped to Churchill could be cleaned and dried in other terminals?

Mr. BAXTER: At the present time a certain portion, not a large portion, of the Churchill movement does originate from the Canadian government

elevator at Saskatoon; that grain will be completely cleaned and ready for shipment. However, the problem there is that it involves a second handling prior to departure. The grain movement comes from the country elevators to the Saskatoon terminal, to be processed through there and then reloaded in a box car, and then moves out for the remainder of the trip to Churchill.

Mr. ROXBURGH: How do the costs there compare with other ports in the handling of grain?

Mr. BAXTER: The Churchill elevator operates on the same tariff as the other terminals shipping grain for export.

The advantage of Churchill, of course, is in the fact it has a much lower combined rail and ocean forwarding cost, which will range from ten cents to 15 cents.

Mr. WHELAN: Would not your cleaning and drying costs be higher up there?

Mr. BAXTER: They are allowed only the same tariff as at other points.

Mr. WHELAN: Although they are allowed the same tariff, would not the actual cost be higher?

Mr. BAXTER: Perhaps, Mr. Chairman, that question should be directed to the national harbours board.

Mr. WHELAN: What do you do with the screenings?

Mr. BAXTER: There are two outlets for the screenings. Depending on the quality of it, they are accumulated, and over the past several years there have been several cargoes move out by boat into St. Lawrence positions; the remainder is stored and used as part of the fuel mixture which they use at Churchill in their power plant. They have looked into the matter of cost very carefully and determined that it is cheaper to use the screenings than it is to bring in coal from Newcastle.

Mr. McINTOSH: We are talking about terminal screenings?

Mr. BAXTER: Yes.

Mr. McINTOSH: If any of these screenings are sold where do the funds go?

Mr. BAXTER: It would be national harbours board revenue.

Mr. McINTOSH: How about the money received from screenings or dockage from country elevators?

Mr. BAXTER: The screenings and dockage from country elevators would be the revenue of the grain company.

Mr. McINTOSH: And do the farmers pay storage and handling charges on that as well?

Mr. BAXTER: Actually, while the farmer delivers grain to their country elevator, suppose he has 100 bushels and there are five bushels dockage taken off, the farmer pays the freight on 95 bushels, he pays storage on 95 bushels and handling on 95 bushels. The other five bushels are the property of the company which purchases the grain.

Mr. McINTOSH: How do they sell it?

Mr. BAXTER: They sell it when they clean it at the lakehead and it is shipped out.

Mr. McINTOSH: When a farmer has only a three or four bushel quota how does he sell his grain?

Mr. MUIR (*Lisgar*): A lot of it is trucked from the elevator in our area.

Mr. HAMILTON (*Qu'Appelle*): The total is shipped to the lake terminals and five per cent is taken there by the company, but is there any grain actually cleaned at the country elevators and sold locally?



Mr. BAXTER: Yes, most of it is handled in that way.

Mr. WHELAN: I suppose these screenings are taken by box car to Churchill, and using your example of five per cent, screenings there would perhaps be five box cars out of 100?

Mr. BAXTER: This is the way they do things in Saskatchewan. The Saskatchewan wheat pool gets as much screenings as possible and ships as much clean grain as possible.

Mr. WHELAN: Do they clean any grain at Churchill to get a different grade?

Mr. BAXTER: No, they are not allowed to do that.

Mr. McINTOSH: Are you suggesting that the country elevators are not allowed to upgrade or downgrade the grain?

Mr. BAXTER: Yes; there are no official grades at country elevators and therefore, there is no restriction at all.

Mr. WHELAN: In respect of the terminals at the St. Lawrence ports, for example, are these facilities used for blending the grains?

Mr. BAXTER: No.

Mr. WHELAN: Could these facilities be used for blending grain?

Mr. AINSLIE: There is no blending of top grades allowed whatsoever at terminals.

Mr. LANGLOIS: What blending takes place in the eastern provinces in respect of feeds. There is some sort of blending of screenings, and I should like to ask where the screenings from Churchill and the lakehead go?

Mr. BAXTER: Probably screenings sold from Churchill go to Quebec.

Mr. WHELAN: What is the screening sold for?

Mr. BAXTER: It would be sold as feed.

Mr. LANGLOIS: Do you have any control in this regard?

Mr. BAXTER: I will ask Mr. Ainslie to answer your question.

Mr. AINSLIE: We grade the screenings at the terminals. Churchill is one terminal at which screenings are graded. These are normally sold by the national harbours board to a feed company and are brought into the St. Lawrence Seaway, and what becomes of them after that is completely out of our control.

Mr. LANGLOIS: Is there any control in respect of the screenings at that stage?

Mr. AINSLIE: If there is any question as to the grade of the feed that would come under the plant production department of the Department of Agriculture.

Mr. HARKNESS: Surely they mix the screenings with other grain to make the feed?

Mr. AINSLIE: This cannot be done by a licensed elevator.

Mr. HARKNESS: Once a dealer has bought these screenings he buys some grain, oats or barley and mixes them to make the feed; is that the situation?

Mr. AINSLIE: That is true, yes.

Mr. LANGLOIS: Some people are paying \$5.40 per 100 and it might be number one grain, for example, but it could also be three quarters screenings. You do not know what you are buying. Actually they are putting screenings in the feed. I do not expect screenings to be sold at that price even when first class grades of grain are used, because the feed is more expensive than the actual grain itself. I wonder whether there is any control exercised in this regard.

Mr. AINSLIE: If there is any control it certainly is not in our jurisdiction.

Mr. LANGLOIS: This is a very good situation for the farmer, but if he is going to buy that and he cannot buy anything else, then there is no control of the grade.

Mr. PETERS: Do the people taking the screenings from the grain check specifically for noxious weeds which could not be used in feeds?

Mr. HAMILTON: I would suggest that there is an act dealing with this subject, and I suggest these questions should be asked more properly of individuals from the Department of Agriculture. Once the board of grain commissioners check that grain and it goes into an export position, either in the form of feed grain or screenings, they have fulfilled their duty under the act. This is a point I think we should clear up. The duty of the board of grain commissioners is to sell the grain and protect the standards.

Mr. PETERS: Once this has been sold in the form of grain or screenings to a private dealer the board of grain commissioners has no further responsibility, but there is an act which deals with the deleterious features of grains and foods, but do you feel that we should ask questions in this respect of members of the Department of Agriculture?

Mr. HAMILTON: Yes.

Mr. WHELAN: I am suggesting, Mr. Chairman, that these screenings take up elevator space and box car space and require shipment to Churchill where there is not a large food industry absorbing this material and there is an extra charge involved in this shipment.

The CHAIRMAN: I do not think your questions relating to the placing of grain in export positions are within the competence of this board. I think we are straying a bit from questions regarding the functions of this board.

Mr. PETERS: Mr. Chairman, it is interesting to the eastern members that this board has no function whatsoever in relation to feeds being bought in eastern Canada.

Mr. FORBES: Mr. Chairman, there are two points of view in respect of this problem. An independent dealer buys the screenings, mixes it and sells the feed by the bag and no one is aware of the content because there is no control in this regard.

Mr. RAPP: Mr. Chairman, I should like to direct a question to Mr. Hamilton. Do the Hudson Bay Route Association and other organizations in municipalities make representations to you in an attempt to have Churchill used more than ever before for exporting grain as a result of the sales of wheat to Russia. What municipal-provincial government organizations have made representations to you in this regard?

Mr. HAMILTON: We have not received any representations apart from the correspondence with yourself, Mr. Rapp.

Mr. LANGLOIS: I should like to be given information on where your function ceases in regard to grain exchanges; do you conduct any transactions at all of any kind with the different grain exchanges in Canada?

Mr. HAMILTON: I think I can answer that question by simply saying no.

Mr. LANGLOIS: You just work with the wheat board?

Mr. HAMILTON: We work with licensed elevators, grain companies and the wheat board.

Mr. HAMILTON (*Qu'Appelle*): I think this question should be clarified. I think when Mr. Langlois refers to grain exchanges he may be referring to grain companies in the west; is that true?

Mr. LANGLOIS: I am talking about the Winnipeg, Montreal and Toronto grain exchanges.

Mr. HAMILTON (*Qu'Appelle*): You are referring to the actual grain exchanges?

Mr. McINTOSH: Perhaps Mr. Langlois' question could be answered by stating that the wheat board is a selling agent while the grain commission is a policing department in respect of grain.

Mr. LANGLOIS: That is what I should like to know. Does the grain commission have any direct function or relation with the grain exchanges in respect of the exportation of grain from Canada, or is this handled directly by the wheat board?

The CHAIRMAN: Are you referring to sales?

Mr. LANGLOIS: I am referring to the sale of grain. You just grade the grain and that is all; is that right?

Mr. HAMILTON: That is right.

Mr. WHELAN: I think we might perhaps be left with the impression that the board of grain commissioners have nothing to do with eastern grain.

The CHAIRMAN: Perhaps Mr. Hamilton would very briefly reply to this question and outline the duties of the commission.

Mr. HAMILTON: The terminal elevators on the great lakes, the St. Lawrence and the maritimes have to provide facilities for eastern grown grain to be handled either for local use or for export. However, these elevators come under our licensing jurisdiction, but they have never handled any substantial volume, relatively speaking, of eastern grain. As mentioned in the last paragraph, the average has been normally around six to eight million bushels a year of eastern wheat which eventually gets into an export position.

Mr. ROXBURGH: Who is responsible for the cleaning stations? You said you had expanded the cleaning facilities at Churchill. Who is responsible in this regard, the government or the board, or is it done on an individual basis?

Mr. BAXTER: The cleaning facilities in the elevators are the property of the company which owns the elevator.

Mr. HAMILTON (*Qu'Appelle*): It may be the government?

Mr. BAXTER: It may be the government.

Mr. ROXBURGH: You stated that some of this feed wheat cleanings were being used as fuel; is this practical? Why would the cleaning establishments be set up at Churchill rather than at some point in northern Saskatchewan which is more centralized?

Mr. NASSERDEN: Perhaps at Tisdale.

Mr. ROXBURGH: Perhaps this location should be Tisdale or Saskatoon so that the grain could be cleaned at that point, not only saving the cost of shipment but saving the feed for that area. No matter what we may think, these screenings amount to a great many bushels because it has been suggested the dockage is five per cent. Would it be practical to have this cleaning process carried out at these other places?

Mr. BAXTER: I think perhaps I can answer the question in respect of the use of Saskatoon for this cleaning operation. First of all the introduction of extra elevators and facilities would have to be accomplished; in other words, the grain would have to be transported from the country elevator for the time being to a terminal with some type of special cleaning facility in the centralized location and then reloaded in box cars for shipment to Churchill. Perhaps it might be possible, as has been suggested, to locate a centralized cleaning plant where there would not be a substantial back-haul. However, a substantial amount of the grain going to Churchill comes from various points east of Saskatchewan, and the grain would have to be back-hauled to Saskatchewan, cleaned and handled at that point and then shipped back to Churchill.



Mr. RAPP: That would not be the case in respect of some country elevator terminals such as at Tisdale.

Mr. SMALLWOOD: Am I right in assuming that all grain for export must be cleaned, whether it contains five per cent or one half of one per cent dockage? The grain must be cleaned at the ports, because if you have ten carloads with one half of one per cent dockage it would be very costly to unload it in Saskatchewan and reload it again, is that right?

Mr. NASSERDEN: In regard to that point, Mr. Chairman, the figure of five per cent has been mentioned but I should like to point out that dockage does not run to five per cent.

Mr. SMALLWOOD: You have just used that figure as an example; is that right.

Mr. HAMILTON: Yes. The actual dockage averages two-and-one-half per cent.

Mr. HARKNESS: I think the inference has been made that all of this five per cent screening is being burned at Churchill. That, of course, is far from the case. All that is burned is the chaff and weed seeds which are dangerous. Anything of any use for feed would be shipped to the St. Lawrence; is that right?

Mr. WHELAN: Do you suggest that the weed seeds would grow at Churchill?

Mr. HARKNESS: I suggest they are waste and can be burned there.

Mr. OLSON: Mr. Chairman, I am a little confused by one or two of the last few statements. Earlier in our discussions we were told that the screenings taken out by the country elevators became the property of the grain elevator company. We were also told that some of the screenings which were taken out at the seaboard terminals became the property of the national harbours board. How does this become the property of the national harbours board?

Mr. HAMILTON: They store the grain that they have to clean at Churchill and the screenings become their property, to dispose of as they see fit.

Mr. OLSON: We were told that the screenings belonged to the company that owns the terminal. You should explain that these terminals belong to the government, but that other terminals belong to grain companies. Let me continue with my question. Are you suggesting that the national harbours board only become the owners of the screenings that are actually screened in government terminals?

Mr. HAMILTON: That is correct, only the screenings from grain that is cleaned at a government terminal belongs to the national harbours board.

Mr. OLSON: Is there only one government terminal?

Mr. HAMILTON: There is just one government terminal which is located at Churchill and it is operated by the national harbours board.

Mr. MUIR (*Lisgar*): Mr. Chairman, I just wanted to state that the screenings from Churchill would not be eaten by any respectable animal and that is why they are not shipped to Quebec.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I just wanted to point out the fact that five per cent dockage is not the average, and I did not want anyone to get that impression. My point has been covered.

Mr. BAXTER: Mr. Chairman, perhaps I should put on record the fact that we review the average percentage of dockage each year, and in the prairie area it was 1.8.

Mr. MOORE (*Wetaskiwin*): I suggest there would be double cleaning of most grain if it was cleaned originally at country terminals and shipped, and then re-cleaned at the shipping points.

Mr. IRVINE: Generally speaking country elevators do not have cleaning equipment. Our tolerance requirements for grain for export are so low the country elevators say they cannot clean the grain to this degree, so even if the grain was cleaned at the country elevator and shipped and it contained only 1 per cent of dockage it would have to be cleaned again at the shipping terminal before it could be shipped.

Mr. LANGLOIS: When the grain is being cleaned does a drying operation take place at the same time, and is there anything taken off the price of the grain because of dockage and drying?

Mr. IRVINE: There is a process for drying at terminals. The charges for drying damp or tough grain are set. There is a problem arising from the drying of grain at a terminal elevator. For instance, at Churchill, the wheat board normally tries not to buy tough or damp grain for shipment into Churchill because the process of drying is comparatively slow and this restricts the flow of grain from the elevator to its destination.

Mr. MCINTOSH: I wonder whether anything has been done to reduce the number of grades we have in respect of Canadian standards here so as to comply with the export requirements? I understand we now have over 300 grades of grain. Has the commission done anything to reduce the number of grades?

Mr. IRVINE: Statutory grades are set by act of parliament. There are not very many of them, certainly nothing in the order of 300. There are a lot of off-grade grains which may, because of another factor, have a different grade. For instance, you could have a tough and lower grade of grain and a damp and lower grade and you could multiply this by a very large number. I do not think there have been any representations in respect of reducing the number of grades.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I wonder whether we could discuss this grading situation after the report has been made? I know that a number of members desire to raise this question because it is a matter of some importance, and cannot be discussed thoroughly at this stage.

The CHAIRMAN: Mr. Hamilton has suggested that our discussion in respect of grading should be deferred until after the report has been submitted. Does this committee agree?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We shall now proceed to the next paragraph headed "Terminal Handlings".

Mr. MACLEOD: This subject is covered by the following statement:

#### Terminal Handlings

Both receipts and shipments at Fort William/Port Arthur terminals experienced a substantial decline during 1961-62. The amount of grain unloaded at lakehead elevators (250.6 millions) was some 75 million bushels less than the 1960-61 figure, while lake shipments (244.2 millions) were some 67 million bushels less than the volume recorded for the previous crop year. The actual bushelage volume of grain cargoes moving out of the Canadian lakehead by direct vessel to St. Lawrence ports at 110.5 million bushels indicated a decline of 4.5 millions from 1960-61 shipments but reflected an increased percentage (45% compared with 37% in 1960-61) going on a non-stop basis to the St. Lawrence ports. Direct overseas clearances from the Canadian lakehead declined somewhat from 16.2 million bushels in 1960-61 to 15.1 millions in the crop year under review. Shipments to U.S.A. lake

ports of 11.5 million bushels (principally barley) were 5 million bushels less than in 1960-61, and reflect a further decline in this movement to United States domestic outlets.

Pacific Coast terminals exported a record volume of the five principal grains—180.9 million bushels—representing a gain of some 21 millions over the previous crop year's handlings and an increase of 11 millions over the previous record high year of 1957-58. Heavier clearances of wheat, principally destined for the expanded export market in mainland China, provided the impetus for the substantial increase in shipments recorded during 1961-62 as indicated by the following figures (with 1960-61 figures in brackets): Wheat 149.9 (124.2), oats .5 (.2), barley 23.2 (27.0), rye 1.1 (1.0) and flaxseed 6.2 (7.4), all in millions of bushels.

Overseas clearances of Canadian wheat from the port of Churchill declined fractionally to 19.2 million bushels during the 1961-62 crop year. However, the 21.5 million bushels handled during the 1962 season of navigation reflected an increase of some 2 millions over the previous season's loadings. A total of 49 vessels participated in the clearances recorded during the 1962 season of navigation at this northern port.

Mr. HARKNESS: Is the dateline in barley shipped to the United States reflected in a larger barley crop, or because there was a smaller demand?

Mr. AINSLIE: That is the principal factor involved. The domestic price of barley is higher in the United States and over the past few years there has been intensive efforts made in the United States to improve their own malting barley marketing situation.

Mr. HARKNESS: You are referring to malting barley?

Mr. AINSLIE: Yes.

Mr. LANGLOIS: I should like to ask a question in respect of grading grain that comes into Canada. For example I have in mind specifically the corn coming in to the eastern provinces from the United States. Do you people have anything to do with the grading of those grains, or are they graded by someone perhaps in the country from which the grain has come?

Mr. AINSLIE: We do not grade this grain coming into Canada. At the request of the purchaser we will make a check and submit a report, but this is as far as we go.

Mr. SOUTHAM: In view of the markets we now have, does the board of grain commissioners feel generally there are enough terminal facilities at our disposal in Canada? I feel this is relevant to the problems which face the wheat board. Has the commission looked at this situation considering the foreseeable future?

Mr. BAXTER: This problem was reviewed by a special committee established about two years ago. That committee considered facilities on both coasts from a point of view of the export commitments both current and potential. The domestic flows and changes that have taken place subsequent to the opening of the St. Lawrence Seaway have made a difference. I am in a bit of a difficult position at this stage because the report of that committee was classified as confidential. I might suggest that Mr. Hamilton could inform this committee in respect of the present status of that report, but my last instructions were the findings of that committee and the report were still confidential.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I think you should protect your witnesses because of certain things that have been said in the House of Commons during the last two months. I think the committee's chairman should get some clearance with the minister in this regard. I feel that Mr. Baxter does not have the right to divulge this information at this time.



The CHAIRMAN: Mr. Baxter has indicated that his information is confidential at this time. I think this committee should consider this situation and refer the matter to the Minister of Agriculture to find out whether this information can be released at this time.

Mr. LANGLOIS: Mr. Chairman, perhaps I am suffering the effects of Wednesday night, but I am having difficulty hearing at this end of the room. Perhaps people at the front would try to speak a little louder.

The CHAIRMAN: We will try to speak louder.

Mr. LANGLOIS: Would Mr. Baxter indicate the proper title of the committee to which he has made reference.

Mr. BAXTER: I believe the correct title of the committee is the inter-department committee on grain storage and handling facilities in Canada.

Mr. HAMILTON (*Qu'Appelle*): The date of the report is September, 1962.

Mr. FORBES: Mr. Chairman, in the last paragraph the last sentence is as follows.

A total of 49 vessels participated in the clearances recorded during the 1962 season of navigation at this northern port.

That statement refers to Churchill which has a season of some 90 days during which 49 vessels were loaded. What is the loading capacity of the terminal at Fort Churchill? Could more grain be loaded if we could sell it within that same period of time? In other words, how many days does it take to load a vessel with the facilities provided at Churchill?

Mr. HAMILTON: Once again, Mr. Baxter says the information we have in this regard is information in this report which we have been asked not to make public.

Mr. Ainslie and I were there when the last ship left this year. They feel they can handle 25 million bushels a year without any drastic changes being made in the facilities, but to handle more than that would require a drastic and complete overhaul of the elevator.

Mr. FORBES: I suggest it takes two days to load a vessel with the facilities you have at Churchill?

Mr. HAMILTON: I believe that is correct.

Mr. NASSERDEN: Does the figure 49 in that sentence mean there were 49 separate loads or did some of the ships return for more than one load?

Mr. BAXTER: There were 49 separate cargoes.

Mr. LANGLOIS: I should like to refer to the import and export grain. In light of the fact that you do not have any control as to the grade of grain being brought into Canada from the United States, for example, would you outline the regular channels through which an individual can purchase grain from the United States?

Mr. BAXTER: If I am not mistaken you are referring to grain received from a United States vessel from a United States port?

Mr. LANGLOIS: Yes. Farmers cannot buy this grain directly so someone has to buy it. Who has control of this grain?

Mr. BAXTER: Normally the grain is purchased by a Canadian firm for storage and sale for feed during the winter season. This grain is stored in our terminal facilities. It is not processed at all. It is normally stored and delivered on orders from the owner who has paid for the storage charges, and looks after the charges for delivering it in trucks or by railroad cars.

Mr. LANGLOIS: There must be more than one firm which imports corn, for example, from the United States. Are these firms licensed and under government control or are they just private firms?

Mr. BAXTER: Normally these people are brokers and act for grain agents who sell the grain to countries through salesmen.

Mr. LANGLOIS: Does the grain come in through the grain exchanges?

Mr. BAXTER: No, it is brought directly into the terminal facilities and stored by the buyer, under permit.

Mr. LANGLOIS: Who has the permit?

Mr. BAXTER: The buyer has the permit.

Mr. NASSERDEN: Do these individuals receive the permits from the board of grain commissioners?

Mr. BAXTER: Yes.

The CHAIRMAN: Mr. Smallwood, did you wish to ask a question?

Mr. SMALLWOOD: I should just like to know what is the capacity in bushels of these ships at Churchill?

Mr. HAMILTON: In 40 vessels we shipped 21,500,000 bushels, so the figure you are looking for is something over 500,000.

Mr. AINSLE: The normal load is between 10,000 and 13,000 tons.

Mr. PIGEON: What is the total quantity of corn, we imported from the United States last year?

Mr. BAXTER: The volume of corn that came into Canada last year was perhaps a record amount from the point of view of domestic use. I think the final total was something of the order of 35 million bushels of which approximately 22 million came through licensed elevator facilities. The remainder came in on a direct basis in ship or by box car to southwestern Ontario and Quebec.

Mr. PIGEON: What is the comparative consumption of corn in bushels as between the provinces of Quebec and Ontario?

Mr. BAXTER: I do not have that figure, sir.

Mr. HARKNESS: What portion of imported corn is used for the manufacture of starch and what proportion is used for animal feeds?

Mr. BAXTER: Again, sir, I have not got the statistics in this regard.

Mr. HARKNESS: The point I wanted to make is that this corn is not imported entirely for feed but some is being used for the manufacture of starch and other products.

Mr. BAXTER: I would estimate that approximately one half was imported for industrial uses.

Mr. LANGLOIS: Some of it would be made into corn syrup. You mentioned the direct course of importation. Through what channel would the corn travel?

Mr. BAXTER: Through eastern elevators.

Mr. LANGLOIS: What do you mean when you say that some comes in directly? Do you mean that someone can order it directly from the United States without going through a grain elevator?

Mr. BAXTER: Yes.

Mr. LANGLOIS: Can an individual buy corn from the United States without going through a grain elevator? You cannot get it from the western provinces without going through a grain elevator, is that right?

Mr. BAXTER: The answer is not quite as simple as you have proposed. Western grain comes from a country elevator through a terminal of some sort.

Mr. LANGLOIS: You cannot buy it in eastern Canada directly without going through these long channels. From what you have said I understand you can get it from the United States directly without going through these channels?

Mr. BAXTER: In answer to your question I would say there is nothing to prohibit a car moving directly from the farms if delivered to the Canadian wheat board in the first instance. There is nothing that requires the grain to be shipped through a terminal before moving east.

Mr. LANGLOIS: As I understand the situation the grain must go through the wheat board, because in Quebec and Ontario you cannot order from western Canada directly and get a carload of wheat or oats. From what you have said I understand you can do this from the United States, is that right?

Mr. NASSERDEN: You must have a permit.

Mr. LANGLOIS: Who issues the permit? You mentioned brokers a while ago. Who are these brokers and what is their function? Are you referring to grain buyers and do they have any relation to any other Canadian company?

Mr. BAXTER: I am sure that most of these buyers are related to other Canadian companies. They will be firms operating in the Canadian domestic and export trade handling western and eastern Canadian grain as well as United States grain, importing for the domestic market.

Mr. LANGLOIS: These individuals operate both as export and import agents?

Mr. BAXTER: Yes. Not all of them operate in this way but the majority would.

Mr. WHELAN: Mr. Chairman, one of the gentlemen intended to explain in detail these permits required to import United States corn and how they were issued.

Mr. MACLEOD: Mr. Chairman, the board of grain commissioners has no responsibility for the importation of United States corn if it is for the domestic market. The grain commissioners do, however, issue a quota to the eastern elevators in respect of space for handling United States grain which is brought into Canada for re-export. We give them a space quota.

Mr. WHELAN: You allocate so much space?

Mr. MACLEOD: We allocate so much space in each elevator.

Mr. WHELAN: Is this in respect of eastern grown grain?

Mr. MACLEOD: I was referring to United States grain.

Mr. WHELAN: What is the position of Canadian eastern grown grain?

Mr. MACLEOD: The balance of the storage available is reserved for western or eastern grain.

Mr. WHELAN: The board of grain commissioners does not issue permits for the importation of United States corn which is going to be consumed in Canada?

Mr. MACLEOD: We have no jurisdiction in this regard.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I think one point should be made clear. As I understand this situation, the board of grain commissioners licenses these individuals importing corn which is placed in licensed elevators. That is, they must get a permit from the board of grain commissioners to put the grain in there, but they do not actually control the importation of grain, whether it is corn, oats, barley or wheat.

In respect of the function of the Canadian board of grain commissioners, there is a question of permits control on the import.

Mr. MACLEOD: This is handled through national revenue which in turn turns it over to the wheat board, and the wheat board in turn give us the responsibility of allocating space. This is really the responsibility of the wheat board.

The CHAIRMAN: The point made by Mr. Hamilton was that your function actually is to allocate space.



Mr. WHELAN: The board of grain commissioners allocates space for all eastern grain for export, does it not? I do not understand this operation.

Mr. MACLEOD: Mr. Chairman, to use an example, the Montreal national harbours board has a capacity for approximately 22 million bushels of which space three and a half million bushels may be used for the handling of United States grains for re-export. The balance of this space can be used for western and eastern grain.

Mr. HAMILTON (*Qu'Appelle*): What about domestic foreign grain, do you allocate space for that?

Mr. MACLEOD: We do not allocate space for domestic foreign grain, no.

Mr. WHELAN: Do you allocate space for western Ontario grain in the Montreal elevator?

Mr. MACLEOD: The elevator space must be reserved for the delivery of Canadian grown grain, and it must be accepted.

Mr. WHELAN: That grain must be accepted?

Mr. MACLEOD: Yes, in the order in which it arrives.

Mr. WHELAN: You do not allocate space for this grain, it must be accepted?

Mr. MACLEOD: Providing, of course, it is in a storage condition.

Mr. OLSON: Mr. Chairman, do you allocate any space in these terminals for United States corn that is brought in for feed purposes in eastern Canada?

Mr. MACLEOD: The answer to your question is no. We have no control over the grains brought in for domestic use.

Mr. OLSON: Where is that grain stored, do you know?

Mr. MACLEOD: It is stored in licensed elevators or it might be delivered directly to the buyer.

Mr. OLSON: None of this feed grain gets into storage facilities over which you have control?

Mr. MACLEOD: We do not allocate space for domestic use.

Mr. OLSON: There is none of this grain which comes into Canada that takes up space in a terminal over which you have jurisdiction in respect of allocating space?

Mr. MACLEOD: No. We just allocate space for United States grain which comes in for re-export.

Mr. ROXBURGH: The remaining space is reserved for western grain, is that right?

Mr. MACLEOD: It is reserved for western and eastern grain.

Mr. ROXBURGH: It is not reserved for foreign grain imported for feed purposes?

Mr. MACLEOD: No.

Mr. OLSON: I have in front of me a report issued by the United States department of agriculture showing that last year they shipped corn to the value of \$80 million. Is there that much space in eastern Canada to store that quantity of corn over which you have jurisdiction in respect of allocating space?

Mr. BAXTER: Mr. Chairman, for example, during the crop year of 1962-1963, using that as an illustration because that was a very heavy year for the importation for United States corn, there were approximately 69 million bushels at a value of roughly \$85 million. There were approximately 69 million bushels of United States corn which came into licensed eastern elevators. Of that 69 million bushels 50 million bushels were moved overseas domestically. It was run through on a transfer basis as part of the use of eastern facilities to service the St. Lawrence traffic. So that on that basis, approximately two-thirds of United States corn moving into these elevators moved on through and went overseas.

Mr. OLSON: The report I have here said Canada spent \$80 million for United States corn. Would Canada purchase this corn for the export market?

Mr. BAXTER: I would like to see the particular statement, Mr. Chairman. The last time I examined the customs figures, which are the only ones for which I have any valuation, against the total value of United States corn importation into Canada, during the 1962 calendar year there were 45 million bushels of United States corn imported.

Mr. OLSON: I am concerned whether or not there may be too much space pre-empted for this movement, holding back the movement of western Canadian feed grain into position over the St. Lawrence Seaway because of what appears to be a very large import of United States grain. Certainly this grain has to be moved on the seaway during the navigation season.

Mr. BAXTER: Mr. Chairman, there are two factors involved in this situation. First of all the period during which these eastern facilities may be used for re-export through the transfer movement of United States grain is limited to the period extending from two weeks after the opening of the Canadian season of navigation on the lakes to October 30.

The period is deliberately selected in order not to interfere or impede the initial rush of Canadian grain for the export movement. Secondly, at the end of the season, to enable the facilities to be used for the final rush of the export movement, for the movement of domestic grain from the west down into eastern positions, this period is limited for the final two weeks of the shipping season. This is really outside my area. It is government policy. I think Mr. Hamilton is familiar with the general agreements relating to the St. Lawrence Seaway and the undertaking of the Canadian government. These facilities would be available for the movement of certain quantities of United States grain.

Mr. OLSON: Those are all the questions I wish to ask Mr. Chairman, I should like to say that there is perhaps another explanation to be found in agreements we have with United States for the use of some of their facilities at the other end of the lake. I do not understand the situation, completely, but it does appear that we are providing space for United States corn to the value of approximately \$80 million coming into the terminals along the St. Lawrence Seaway during the navigation season, pre-empting some space which could be profitably used for feed grown in western Canada.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I do not think any such inference should be drawn. It has been made clear in evidence that terminals and terminal facilities on the St. Lawrence route under agreements which we have, and which are enforced by the board of grain commissioners, are provided for the import of United States grain, but Canadian grain is protected. First of all the first two weeks of the season and the last two weeks of the season are reserved for the movement of Canadian grain. In the slack months of the summer when the terminal facilities on the St. Lawrence are seldom used for this purpose, individuals importing United States grain are allowed to use some of this space for storage on the basis of a St. Lawrence agreement.

The figures mentioned in this regard are, out of a 22 million bushel capacity, that three and one half million bushel space at one time can be used for storage of United States grain. It is likely the terminals turn over that three and a half million capacity in a very short period of time, so I think the Canadian interest has been protected. We do not allow the movement of United States grain to the detriment of the movement of Canadian grain. If Canadian grain is available it must be given priority on the basis of first come first served. I should not like the impression left that all this 45 million or 50 million bushels of grain are filling up space. Most of it, as I understand, is moved through. We follow this practice in order to reduce the cost of handling western grain.



Mr. OLSON: I will not pursue this any further, but I do not think it is clear where Canada stands in respect of the handle and storage of this grain.

The CHAIRMAN: The chief commissioner would like to comment on your observations, Mr. Olson.

Mr. HAMILTON: Of the 22 million bushel space in Montreal we have allocated space for three and a half million bushels during the summer months in respect of United States grain, but at no time has the three and a half million bushel space in the terminal been used for this purpose. I think the accurate figure in this regard would be about half.

Mr. PETERS: Mr. Chairman, I should like to ask the commissioner whether there is a reciprocal agreement with the United States whereby we use some United States ports in this regard?

Mr. BAXTER: This was very definite in the movement many years ago. During the 1920's and 1930's there was substantial quantity of Canadian grain moved down through Buffalo to the United States Atlantic seaboard. That movement has dwindled progressively in recent years. Practically nothing moves on that basis now. There is no regulation precluding this type of movement. In fact, at certain times, depending on freight rates, when the wheat board is contemplating movement of Canadian grain, it has moved it through Buffalo but things have changed sufficiently, the freight rates having been steady for two years, so that it is not worth while doing this today.

Mr. LANGLOIS: It has been stated that the commission does not have any control in respect of grains coming in from the United States in a direct route. Mr. Olson just mentioned the amount of corn imported. I think you mentioned that 35 million bushels of corn were imported, is that right?

Mr. BAXTER: That is correct.

Mr. LANGLOIS: That might well have been to the value of \$80 million because I have the latest figure which states it is being sold for approximately \$2 per bushel. It is being sold now at \$3 per bushel or \$3.54 if I am not mistaken, yet the commission has no control whatsoever except to issue licences which they do regardless of how they operate. I suppose you could revoke a licence if you found that these people were doing something wrong.

The CHAIRMAN: If I may interject at this point, this board of commissioners has no authority over the cost or selling price. They have already said that they are responsible only for providing storage space for United States corn and grain in Canada.

Mr. FORBES: Mr. Chairman, if an individual was importing a carload of corn from the United States for consumption in Canada, I understand he would have to have a permit to do so; is that right? Who issues these permits?

Mr. HAMILTON: I really cannot answer that question. I know we do not issue the permits, sir, but I do not know who does issue them.

Mr. PETERS: Is there any such thing as shipments in bond so far as this transshipment is concerned? For instance in respect of corn from the United States coming into Canada, does it come in under bond? Are these people using only the facilities or is there such a thing as an in bond shipment?

Mr. BAXTER: United States grain coming in for transshipment would come in, in bond but this would be within the jurisdiction of the customs officials.

Mr. PETERS: Would shipments coming in, in bond show in these figures which Mr. Olson quoted?

Mr. BAXTER: No, they would not. I think I am still slightly confused about Mr. Olson's figure and the figure I checked myself yesterday, being 45 million bushels in respect of Canadian imported corn.



Mr. HARKNESS: Mr. Chairman, in connection with this matter that has been mentioned regarding the import of United States corn or grain, is it not true that actually unless Canada has an import control regulation in effect for any particular commodity no permit is required? I do not understand the discussion in respect of permits. As far as I understand the situation anybody can import corn into this country. An individual will pay the duty, if there is a duty, and the shipping charges without having to get a permit unless there is an import control regulation which does exist in respect of certain things at certain times. I do not think we have any import control on grain at the present time; is that right?

Mr. HAMILTON (*Qu'Appelle*): The licences which have been talked about are licences purely for storage; is that right?

Mr. HARKNESS: Surely an individual does not need a permit to import grain?

Mr. WHELAN: This has nothing to do with the subject. I sold some corn recently and received \$1.28 a bushel and I do not understand why farmers in Quebec and eastern Ontario have to pay such a high price. I think there is some misinterpretation here.

The CHAIRMAN: I think we are straying from our particular duty this morning. We may have this subject before us for examination later on, but this morning I think we should confine our questions to the matter before us.

Mr. SOUTHAM: Mr. Chairman, I think there is some confusion in these quotations. Some figures are in hundreds and others are in bushels.

Mr. LANGLOIS: I was calculating on the basis of bushels, and that is why I also calculated the other movement on the basis of bushels. It could be calculated on a 100 pound basis, but I do not see how something can be ordered from the United States without any kind of control, yet control is exercised in the same regard within Canadian boundaries. As I understand the situation, an individual can import corn at any time without any control except through a federal licensing bureau which is not a functional control.

The CHAIRMAN: This is not the function of this board in any event. I think we are clear on that regard.

Mr. LANGLOIS: I understand from what has been said information cannot be supplied regarding the authority issuing these permits.

Mr. HARKNESS: I think the general situation under our GATT agreements is that we are bound to allow imports into this country because these agreements have been made with other countries which subscribe to the GATT principles.

Mr. LANGLOIS: I cannot understand how this is controlled within the boundaries of Canada but is not controlled when the commodity is imported.

Mr. HARKNESS: What we do within our own country surely is our own business, but in the interests of promoting general world trade, and freer trade, those countries which subscribe to the GATT agreements have agreed not to interfere with imports from these countries.

The CHAIRMAN: Gentlemen, I think we are straying from this report.

Mr. CLANCY: Mr. Chairman, I intended to suggest that we confine our questions to this report. The questions now being asked should be directed to members of the wheat board and members of the Department of Agriculture when they appear before this committee.

Mr. PETERS: It has always been my experience that the commissioners say certain things are not their responsibilities, but the responsibilities of the wheat board, yet when members of the wheat board come before us they tell us we should have asked these questions of the grain commissioners.

The CHAIRMAN: I do not wish to be arbitrary, but I think we are straying from our duties. I should like this committee to return to the consideration of this report and now deal with the next paragraph entitled "Eastern elevator handlings".

Mr. MACLEOD:

#### Eastern Elevator Handlings

Licensed eastern elevators exported a slightly reduced volume of the five principal grains totalling 150.8 million bushels during the crop year under review. On a sector basis the St. Lawrence ports shipped 129.0 millions (up 5.6 millions) of this total, while clearances from the maritime ports of Saint John and Halifax totalled 21.8 million bushels (down 12 millions). Individually by port, Montreal cleared 60.3 millions, Sorel 23.8 millions, Three Rivers 20.3 millions, Quebec 11.3 millions and Baie Comeau 13.3 millions of Canadian grains.

Transfer receipts at St. Lawrence ports from Upper Lake and Bay ports comprised only 30 per cent of the total inward movement at these elevators during 1961-62 compared to an average of approximately 90 per cent in the pre-seaway period. Receipts at the maritime ports of Saint John and Halifax, moving chiefly by rail ex bay ports, totalled 22.3 million bushels and included a direct vessel flow ex lakehead terminals of 5.1 million bushels.

The Canadian domestic market drew a reduced 91.0 millions of the five principal Canadian grains from licensed eastern elevators during 1961-62 crop year. Included in this total were 49.4 million bushels of wheat, 18.1 millions of oats, 20.3 millions of barley, 1.2 millions of rye and 2.0 million bushels of flaxseed. These quantities included grain to be processed for subsequent export in the form of flour, linseed oil and other by-products.

Handlings of United States grain at eastern elevators reflected a significant increase during 1961-62 with receipts of 96.1 millions, overseas clearances of 61.9 millions and shipments to Canadian domestic outlets of 26.8 millions of U.S. grains. As in the 1960-61 crop year, the principal grains handled in this category were U.S. corn, U.S. wheat and U.S. soybeans. Eastern elevators shipped some 27 million bushels of U.S. corn overseas and moved 20.2 millions to the Canadian domestic market. Overseas clearances of U.S. wheat totalled 20.0 millions while 10 millions of U.S. soybeans were moved on a transfer reloading basis to overseas destinations through Canadian eastern elevator facilities.

Mr. PIGEON: Mr. Chairman, I have a question. With your experience, do you think we have sufficient grain elevators in British Columbia and in the eastern provinces, Quebec and the maritimes? We receive a great many complaints each year that when navigation closes down the cost of grain goes up. Is this because of an insufficient number of grain elevators in the eastern provinces and British Columbia?

Mr. BAXTER: I am in a difficult position there. My knowledge and information on that subject was gleaned as a member of the committee which I referred to earlier.

Mr. PIGEON: Is that a problem for the wheat board?

Mr. HAMILTON (*Qu'Appelle*): I think it should come from the minister.

The CHAIRMAN: Mr. Baxter referred to information which he has as a result of being a member of an interdepartmental committee on grain handling and storage, and as yet this information is confidential, so possibly we could leave this now. I hope the information will be forthcoming in due course.



Mr. OLSON: I hope it will be forthcoming soon, too. Mr. Chairman, if we are to be precluded from asking any questions of these gentlemen who are very familiar with storage facilities throughout Canada, it is going to hamper the function of this committee so seriously that we will have to take some kind of action which will allow us to get answers from the board of grain commissioners respecting these questions. Certainly if anyone in the Department of Agriculture takes the position that they are not required to answer any of these questions respecting storage and so on, we certainly will have to take some kind of action. These men had some information on this matter before the committee met, and at least to that extent we should be able to ask them what they mean.

The CHAIRMAN: It is my opinion that the witness has to be protected. In other words, I do not think that this committee can relieve him of the confidential information he may have obtained from the company.

Mr. OLSON: I agree. I do not wish to put the witness in a tough position, if you understand what I mean, but this question is pertinent in that this matter was raised in the house, and if there is any possibility that we are to be deprived of this evidence I want you to know we will have to take some action to see that we get the information required.

The CHAIRMAN: I would like to discuss this with the steering committee. However, I would make this observation: the minister could be asked when this information is forthcoming and whether or not the witnesses should be relieved from the confidential nature of the information they have. This could be done on adjournment.

Mr. PIGEON: In the general interest of all concerned I think that would be a good suggestion.

I would like to make a motion at this time that we have the Minister of Agriculture as a witness at our next meeting in order to give us the facts and to tell us what the government is going to do about this.

Mr. LANGLOIS: I second the motion.

Mr. PIGEON: I think it would be possible to have the Minister of Agriculture as a witness at our next meeting.

The CHAIRMAN: I think the motion is in order. Will you refer this to the steering committee?

Mr. PIGEON: Yes, but you take my motion as I have given it.

The CHAIRMAN: Yes.

Mr. PETERS: Mr. Chairman, if this motion is entertained and in order it will certainly override the steering committee. A motion from the floor of the committee will override the steering committee.

Mr. ROXBURGH: But do you not think you have to give the steering committee an opportunity to consider this? What do we have them for? We might as well not have them if we do not intend to use them.

Mr. PETERS: I disagree. The committee is a supreme body.

The CHAIRMAN: I would like to have your opinions on the matter before I rule on the motion.

However, I would like to make a suggestion which might save some time, if Mr. Pigeon and other members would agree. You might consider this motion as an expression of the committee's desire to be relayed to the steering committee. This is one of the functions of that body.

Mr. PIGEON: But, Mr. Chairman, we have expressed our views and, if we do have to have consent, that will help the steering committee in its deliberations.



However, I have placed this motion, seconded by Mr. Langlois, that the Minister of Agriculture be called as a witness at our next meeting.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, I am in support of this motion; I spoke on this earlier. I think it is a function of the minister to put himself at our disposal so we can ask him these questions. It is absolutely wrong to ask these questions of an official of the board, who is a member of an inter-departmental group which has prepared a document marked secret and confidential. That is the highest priority you can get. It is wrong to ask the chief commissioner questions in this respect, but it is within our power and right to bring the minister before us and ask him questions on this matter.

I think the only part the steering committee should play is to decide the time and the place of the minister's appearance.

With that one slight amendment I would support Mr. Pigeon's and Mr. Langlois' contention that the steering committee's function is for the convenience of the committee; and it would be up to them to decide when the two can be brought together.

Mr. OLSON: Perhaps the motion should be changed to read "this afternoon" rather than "the next meeting".

Some hon. MEMBERS: Agreed.

Mr. WHELAN: Mr. Chairman, I would like to say at this time that we are very fortunate to have the minister because last year we were not so fortunate. As you will recall, we did not have any agriculture committee meetings.

The CHAIRMAN: Are you ready for the question? If you are, I will ask the interpreter to put it in French.

Mr. SMALLWOOD: In reply to that wild statement made by Mr. Whelan, Mr. Chairman, may I say that we did not have any agricultural problems last year.

Mr. WHELAN: It seems strange to me that there are political undertones to the statement just made; if there is any partisanship in here, I am not responsible for it.

The CHAIRMAN: Anyway, these remarks are extraneous to the motion. May I have the motion put in French?

Mr. MUIR (*Lisgar*): Could we have it in English as well, Mr. Chairman?

Mr. PIGEON: It is impossible to know the facts as they pertain to the grain elevator facilities in British Columbia and the eastern provinces unless the minister attends here so that we can put questions to him. Only in this way will we get the facts.

The CHAIRMAN: I am going to put the motion in English. It has been put in French.

It was moved by Mr. Pigeon and seconded by Mr. Langlois that the matter of calling the Minister of Agriculture as a witness to appear before this committee at an early date be referred to the steering committee for action.

Mr. NASSERDEN: I thought the intention was this afternoon.

Mr. MUIR (*Lisgar*): Mr. Chairman, it would not be fair to hold the board here indefinitely, and if it is possible to have the minister here this afternoon I think we should hear him. The members of the board are only here for this meeting and to hold them over for any period of time would not be right, in my opinion.

The CHAIRMAN: As I understood it, the motion was that this be referred to the steering committee now.

Mr. MUIR (*Lisgar*): I do not like the word "referred". As you know, the steering committee is simply set up to facilitate the work of this committee. Of course we as a committee are supreme, and I think instead of using the word "referred" it should read that the steering committee be instructed by this committee.

Mr. WHELAN: I would think that would merit a certain amount of consideration. If the Minister of Agriculture is not selling wheat at the present time he may be selling butter, and that may be more important than appearing before this committee.

Mr. PIGEON: Our main problem, Mr. Chairman, concerns the grain elevator facilities in the eastern provinces and British Columbia, as I mentioned before, and I think it is our duty to take action this afternoon because we have the board here. I think we should ask the Minister of Agriculture to come here this afternoon, if possible, so that we may pose questions to him, after which we will take the necessary action in this committee. It is our duty to proceed in this way.

The CHAIRMAN: Gentlemen, I do agree that this committee is supreme and whatever the committee decides, then those are the instructions we will follow.

However, I understood initially that Mr. Pigeon's motion, seconded by Mr. Langlois, was amended in accordance with the suggestion of Mr. Hamilton.

I now gather from what Mr. Pigeon has said that the wording of the motion is not in fact that, but that the Minister of Agriculture be called as a witness this afternoon. Mr. Pigeon, are you changing the motion or did I misunderstand you?

Mr. PIGEON: I am in agreement with what was said by the former minister of agriculture. I will take his views into consideration.

Mr. HAMILTON (*Qu'Appelle*): The committee has a right to have the minister here, and the only function the steering committee has in this connection is to see if he is available this afternoon. There is no use passing a motion—

The CHAIRMAN: If I may interrupt, are we agreed on the motion?

Mr. JORGENSEN: Mr. Chairman, this could be settled by changing one or two words in the motion. Rather than referring this matter to the steering committee why do you not say "direct the steering committee to have an interview"?

Mr. FORBES: Supposing the minister is not available this afternoon. He may be out auctioneering, or something of that nature.

Mr. WHELAN: If members paid more attention to what went on in the house they would know the farm organizations in eastern Canada—that is, eastern feed and supplies—are in a better state now than at any time in the history of Canada.

The CHAIRMAN: Suppose I put it this way: that it is moved by Mr. Pigeon and seconded by Mr. Langlois that the steering committee be directed to ascertain whether or not the Minister of Agriculture may or can appear this afternoon, and failing that at the earliest possible date. Is this agreed?

Some hon. MEMBERS: Agreed.

Mr. PETERS: There might be an amendment. I am not sure whether this would be feasible or not. I am referring to an amendment to the motion which would allow the minister to give to the commissioner, and particularly the witness who is in the difficulty, the opportunity to speak on this matter; that is, the minister could relieve him of the responsibility. It would seem to me the witness would know a heck of a lot more about it than would the

minister. All we would hear from him would be a statement that he would give permission for the grain commissioner to speak. Perhaps it should be put as an amendment that the minister could give permission, if he is not available himself, for the witness to speak.

Mr. OLSON: Have we not agreed that we were to try to get a ruling and to have his burden of confidence removed as soon as possible?

The CHAIRMAN: I suggest that was agreed.

Mr. OLSON: May we proceed, then? Mr. Chairman, we were on the paragraph entitled eastern elevator handlings.

The CHAIRMAN: Are there any further comments on that paragraph?

Mr. PETERS: Mr. Chairman, would you put the motion before you go on in connection with the other motion?

The CHAIRMAN: I understood it had been put and agreed to.

Mr. PIGEON: Unanimous consent.

The CHAIRMAN: Is it unanimous?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I understood it was.

Mr. HAMILTON (*Qu'Appelle*): Mr. Chairman, my question deals with the registration and licensing of elevators under section 127 of the Canada Grain Act, which reads as follows:

Upon the surrender of the shipping receipt or bill of lading covering any grain received into any licensed public or semi-public terminal elevator or eastern elevator, accompanied by evidence of the payment of all lawful charges against such grain up to the time of its being so received, the operator or manager of such elevator shall issue, in exchange for such shipping receipt or bill of lading, a terminal warehouse receipt or an eastern warehouse receipt as the case may require, which may be in such form as the board shall prescribe, and shall specify the date of its issue, the name of the person on whose account the grain has been received, the quantity and grade of the grain and the terms upon which it will be delivered out of the elevator to the holder of the receipt on payment of the charges accruing due in respect thereof.

My question is this: does this registration of the Canadian board of grain commissioners extend to all elevators in eastern Canada or just terminal elevators?

Mr. BAXTER: Simply to the terminal elevators, Mr. Chairman.

Mr. HAMILTON (*Qu'Appelle*): Therefore, it does not include the keeping of records, that is receipts and disbursements of what we call a private enterprise storehouse or warehouse in the provinces of Ontario, Quebec or the Maritimes.

Mr. BAXTER: That is correct.

The CHAIRMAN: Are there any further questions?

Mr. PIGEON: Of course, we have questions on this other matter which I mentioned before.

The CHAIRMAN: Well, this is subject to the motion. Could we agree to pass over the sections which are relevant to the information that this committee wishes? Is it agreeable if we pass over "exports" and "domestic usage", and come back to them later?

Mr. SMALLWOOD: Mr. Chairman, the matter of importing corn was brought up and there was the statement made that you must have a permit to import corn. Then you people were asked if you issued that permit; and you said



you did not and you did not know who did. So, I went out and phoned the Department of Trade and Commerce and was informed there was no permit needed to import corn; you pay 8 cents a bushel on imported corn from the United States, and that is it.

The CHAIRMAN: Shall we defer consideration of the paragraphs entitled "domestic usage", "carryover", and "licensing and bonding", or do you want to go on with "licensing and bonding"?

An hon. MEMBER: I think we should.

Mr. MACLEOD:

#### Licensing and Bonding

The total licensed storage capacity at August 1, 1962, was 643,767,810 bushels—all in licensed elevators. All grain storage buildings authorized as supplementary annexes to country elevators were empty by July 31, 1962, and no authorities for this type of storage were issued for the crop year 1962-63. This was a major factor in the decrease of 5,540,900 bushels in capacity since August 1, 1961 as at that time 96 authorized grain storage buildings had a licensed storage of 4,604,900 bushels. The number of licences in effect for country, terminal, mill and eastern elevators showed a decrease during the crop year, totalling 5,327 at August 1, 1962, compared with 5,375 at August 1, 1961. Country elevator capacity decreased by 2.9 millions. New construction at the Lakehead accounted for the major portion of the 4.3 million increase in terminal facilities. Eastern elevator capacity dropped 2 millions with the withdrawal of two inland elevators to 108.6 millions, while mill elevator capacities showed a fractional increase.

Mr. MUIR (*Lisgar*): I have a question, Mr. Chairman. Have these supplementary annexes to the country elevators been issued permits for just this crop year?

Mr. BAXTER: No, they have not; there has been no application.

Mr. MUIR (*Lisgar*): What country annexes are empty as of now?

Mr. BAXTER: If I might clarify this, the term referred to here was "grain storage buildings". The grain storage buildings were emptied and there were no further applications for their use. They were not annexes proper; they were annexes in the sense they were handled through adjacent country elevators, but they were not annexes in the sense of being a structure physically tied to the particular country elevator.

Mr. MUIR (*Lisgar*): I see. When you license an annex attached to an elevator, it automatically covers the annex?

Mr. BAXTER: Yes.

Mr. FORBES: Certain elevator companies rented the roundhouses which formerly belonged to the C.N.R.; they have one in my town. You have said that they are not making use of these although they have a five-year lease on this particular one.

Mr. BAXTER: I am sorry again if the terminology has been misleading. The roundhouses and that type of structure are licensed still as annexes where such apply; they must be on trackage. The grain storage buildings were not necessarily on trackage.

Mr. WATSON (*Assiniboia*): Mr. Chairman, may I ask the commissioner a question? Why were the off-storage facilities done away with, making it necessary now to be right on trackage? What was the thinking behind this?

Mr. BAXTER: The cost was one factor. Facilities on trackage could load direct to boxcars, whereas with the grain storage buildings, rinks, hangars

and other types of structure which were located some distance from railway trackage, the grain had to be trucked out of that facility and either loaded by special equipment or put through the country elevator. Costwise, there was the additional labour and extra handling.

I think the wheat board would comment on this to the effect that the grain in those facilities was not considered as being readily available for shipment. There would be periods of time during the winter in which the road conditions would be such that the grain could not come out of these grain storage buildings, whereas the railway may have been able to clear the trackage and then grain in premises on trackage would be available.

Mr. OLSON: Are there no licences for any terminals that are away from the trackage? Are they all cancelled and emptied?

Mr. BAXTER: That is correct. There is one country elevator in western Canada that is not on trackage and it is at Macklin, Saskatchewan. It has a long case history of a railway never arriving.

Mr. WATSON (Assiniboia): I have a supplementary question, Mr. Chairman. There is still what we term a temporary annex which has no unloading facilities from the annex into the elevator. These annexes still have to be unloaded in the same way as if it was the roundhouse, garage or rink; and in most cases there were some farmers hired to unload oats with an auger into a truck, and it still has to be hauled into the elevator which owns the annex. This is on trackage. But, theoretically, other than that the elevator company owns this and is getting the complete storage from this. It is no different from being across the track in some farmer's yard or any other organization which might own the storage facilities, and I think it is still playing into the hands of the grain companies; they are getting all the revenue. This has deprived any private individual of getting into this type of activity.

Mr. RAPP: If some of these railways are abandoned will the licences be taken away from the elevator companies who are now licensed, or will they still be licensed?

Mr. BAXTER: Mr. Rapp, this subject was discussed at some length jointly by the Canadian wheat board and the grain companies several years ago when this matter first came to prominence. The board of grain commissioners undertook at that time to assure the companies and the organizations that the board would entertain any reasonable arrangement to continue these structures as licensed facilities during a temporary period. Again, the Canadian wheat board's position was that if the trackage was removed the grain would not be readily available for immediate shipment. The grain companies themselves looked on the problem from the point of view of cost. The final agreement of that series of meetings was that the facilities that were abandoned would continue to be licensed by the board of grain commissioners as an elevator for storage only of the grain in store in the elevator at the time of abandonment, and once that grain was shipped out the licence would be surrendered to the board for cancellation.

Mr. OLSON: Did this arrangement go beyond the end of any particular crop year, or could it be extended indefinitely?

Mr. BAXTER: It could extend indefinitely.

Mr. OLSON: This is a very big subject, and I thank Mr. Rapp for bringing it up. There is a very important point here. They do have a ruling that there will be no licence for country elevators unless it is alongside some track or railway. For example, I know in respect of Hilda and Schuler, Alberta, the mills in Medicine Hat buy all the grain they can get from all the elevators at these two points and it is all trucked to Medicine Hat; they do not use the railway. Therefore, what is the justification for having the provision that they



must sit alongside a railway to be licensed? This is going to open up a far larger field if there are any railway abandonments, because I am of the opinion that these storage facilities as a gathering point in a local area can still serve a very useful purpose, whether or not a railway runs alongside them. Even at the present time they are acquiring a large fleet of trucks, or at least contemplating this, in order to move this grain in from the immediate surrounding area, and the area they are thinking of is out about 75 miles. Whether or not there is rail alongside these elevators is immaterial in the operation of this kind of movement of grain.

The CHAIRMAN: Did you want to make a comment on that?

Mr. HAMILTON: Nothing is really hard and fast on this. We have arrived at the present arrangement through consultation with the wheat board and the grain companies, and we have had no request to change our stand. I think maybe one of the reasons may be that if the board decided to license elevators off-track this would probably weaken the grain companies and producers' stand when they are giving evidence against the railways on these railway abandonments. This is probably why we did not receive any requests to license.

Mr. OLSON: You said there is nothing hard and fast. Perhaps there is not as far as the policy is concerned, but there is something hard and fast in that we are told it is a hard and fast rule that either there is a rail alongside of elevators or they do not get a license, as a result of which it would have to be abandoned. For example, the usefulness of the railways in parts of my constituency will completely disappear. I think we also have proven that this grain could be moved out far more economically by truck to other railways and to the mills than having to pay the maintenance cost on keeping that railway line there. That is the reason I raised this point.

Mr. LANGLOIS: Mr. Chairman, perhaps Mr. Hamilton, the former minister of agriculture, can tell us how they worked out this situation in respect of the peanut line which they took off. There were towns all along that line with elevators. How do they work now? Did they still have licenses after the railway was moved? This area is within the Qu'Appelle constituency.

Mr. HAMILTON (Qu'Appelle): First of all, I do not know whether all these elevators were licensed. I understand there was an arrangement made whereby their licenses continued for a certain period of time after the railroad tracks were taken up in order that the grain could be shipped at the farmers convenience to some other line. As far as the farmers are concerned, they simply shift their permits over to the two railway lines north and south. There has not been any great inconvenience to the farmers, but I do not know whether all these elevators have their licenses or not.

Mr. BAXTER: I have comparative figures for the previous two years. As at August 1, this year, the Saskatchewan wheat pool elevator at Adair was licensed as what we term a railway abandonment elevator purely for the storage of grain at that time.

Mr. LANGLOIS: Is it still operating on a storage license?

Mr. BAXTER: That is correct.

Mr. SOUTHAM: Mr. Chairman, I think Mr. Hamilton, our chief commissioner made a very good point when he said that this question involves the whole problem of railway abandonment. I think we must find a solution to the whole problem. I think in respect of this whole problem of grain handling, as Mr. Hamilton has stated, we will strengthen the case by leaving this question in abeyance for the time being.

Mr. RAPP: I think this committee should take a definite stand, as far as licensing of elevators is concerned, respecting lines that have been abandoned. At the same time, I do not think we are strengthening the case in respect of



railway abandonments. These abandonments involve hundreds of elevators in the three prairie provinces. If these hundreds, and perhaps thousands, of elevators are not to be used for storage or for handling grain the prairie farmer will be in a difficult position. As I say, I am the last man to interpret our stand here as one that will strengthen the case for abandonment. I feel that we should discuss this problem very seriously, and move perhaps that these elevators for the time being at least should not be deprived of licenses for storage.

I should like to hear comments in this regard from other members of western provinces, because I think everyone will realize that many farmers will have to haul their grain 75 or 80 miles to an elevator on a railway line as a result of the abandonments which will be taking place.

Mr. HAMILTON: The board of grain commissioners are prepared to consider any reasonable licensing arrangement, but until we receive requests from the companies we cannot do anything.

Mr. HAMILTON (*Qu'Appelle*): I think Mr. Rapp and Mr. Olson are suggesting that pressure be put on the elevator companies to ask for a continuation of their licences, and the commission has indicated it will not deny those requests.

Mr. OLSON: We have been told continuously by the elevator companies and other people that it is a condition of licensing which is responsible for the existence of the railways in these areas. If the railway is removed, according to the regulations and the attitude of the board of grain commissioners, the licence is automatically revoked.

Mr. HAMILTON: As far as I am concerned this is a condition that the companies desire.

Mr. FORBES: I think this situation can be related historically to the existence of what was termed inland terminals. The grain companies at that time argued that this grain in inland terminals, even off tracks, was not available for immediate shipment and if they received an order for No. 3 grade wheat it was not available. I suggest this question should be put to the wheat board representatives so that we may hear their comments on the subject.

Mr. OLSON: Perhaps the chief of the board of grain commissioners could make a statement that they in effect entertain applications for licences for storage in off track situations? I have been confronted with this same answer so many times that I am confused. The responsibility has always been thrown back on the board of grain commissioners by the statement that if it is off track there is no possibility of getting a licence for storage.

Mr. HAMILTON: At the present time, Mr. Olson, this is true. If it is an off track application no licence is issued.

Mr. OLSON: How can some action be initiated changing this situation?

Mr. HAMILTON: If the grain companies themselves request this change, we would be prepared to accept it.

Mr. OLSON: You are not suggesting that there would not be the possibility of initiating this action at some level of government, instructing you that you can issue licences for off track?

Mr. HAMILTON: We can issue the licence if the companies request them but, as I say, we have had no requests from the companies to do this. They are satisfied with the present arrangement.

Mr. OLSON: I am not satisfied with the suggestion that the applications must come from the grain companies. Are you suggesting that the board of grain commissioners would in fact entertain an application for licensing an elevator in an off track situation?

Mr. HAMILTON: I will read one section from the Canada Grain Act which gives the definition of an elevator.

(11) 'elevator' means any premises into which western grain may be received, or out of which it may be discharged, directly from or into railway cars or vessels, and, notwithstanding anything contained in any other general or special act, includes any such premises owned or operated by Her Majesty, either directly or through any individual, or company.

Mr. OLSON: Perhaps we require an amendment to that act.

Mr. HAMILTON: Really that is what is required.

The CHAIRMAN: Shall we move on?

Mr. NASSERDEN: I suggest we adjourn until after dinner.

The CHAIRMAN: It is now 12.10. What is the suggested date and time of reconvening?

An hon. MEMBER: After orders of the day.

The CHAIRMAN: Shall we adjourn until 3.30?

Mr. RAPP: I think we should adjourn until 3.30.

Mr. PIGEON: I think we should adjourn until four o'clock.

Mr. RAPP: We will not have much time if we adjourn until four o'clock.

Mr. PIGEON: Perhaps we should adjourn until after orders of the day.

The CHAIRMAN: We shall adjourn then until after orders of the day.

Before we adjourn, gentlemen, I should like the members of the steering committee to remain for a moment or two.

Mr. GAUTHIER (*Interpretation*): Before the adjournment I should like to know whether it would be possible for the Chairman of the committee to ask for a room where there is a simultaneous translation.

Mr. RAPP: There is a room equipped for simultaneous translation right at the end of this hall.

The CHAIRMAN: Our Clerk has tried to reserve a room for us with simultaneous translation. There are four committee meetings this morning and I understand the Clerk is doing his best to obtain the best room he can for us this afternoon. In view of the number of committees sitting this morning we were unable to use a room with simultaneous translation. We tried to get one but we were unable to do so.

The committee adjourned.

## AFTERNOON SITTING

THURSDAY, November 21, 1963.

The CHAIRMAN: Gentlemen, we now have a quorum. You will recall—those of you who were here this morning—that the subcommittee or steering committee was to meet immediately after we adjourned at 12 o'clock noon. I would now like to read to you the minutes of the steering committee which met on Thursday, November 21, 1963.

The steering committee of the standing committee on agriculture and colonization met at 12.15 p.m. this day.

*Members present:* Messrs. Honey, Hamilton, Langlois, Asselin (*Richmond-Wolfe*), Peters, Mullally and Olson (7).

The subcommittee agreed on the following requests to be made to the minister of Agriculture:—

1. Will the minister agree to detailing the official of the board of grain commissioners who is the expert on the storage for grain in eastern Canada to answer questions relating to the availability and adequacy of storage facilities to service eastern feeding?

I discussed this with the minister. Mr. Baxter was the witness who was asked certain questions this morning when he demurred at being called an expert on this particular aspect. But he now has the authority of the minister to answer questions which he has knowledge, of course.

2. Relative to the motion of Mr. Pigeon, seconded by Mr. Langlois, the Minister of Agriculture be asked to attend the Committee meeting this afternoon, and if this is impossible request his attendance at the earliest possible date.

I passed that request on to the minister and he said that he regretted that he was unable to be here this afternoon because he had a commitment which he had previously made. He told me that next week he was tied up with the federal-provincial conference, and that he was serving on three committees at the conference. Then going into the next week, on Monday, December 2 he has an engagement in Chicago. But on Tuesday, December 3 he would be available and would be pleased to appear before the committee. That would be the earliest date that he would be able to appear.

3. If the Minister is unable to attend the committee meeting this afternoon will he authorize Mr. Baxter to give evidence as to the adequacy of storage facilities at Prince Rupert?

Again I put this request to the minister and he authorized Mr. Baxter—and Mr. Baxter was there, incidentally—to give the information within his knowledge with reference to that point.

Now, may I be permitted to conclude reading the minutes of the steering committee as follows:

4. Relative to the motion of Mr. McIntosh, seconded by Mr. Hamilton, the Chairman and the clerk are to draft a letter to the Department of Justice requesting an opinion as to the application of the Statistics Act or other legal prohibitions which might prevent the board of grain commissioners from revealing certain statistical information to the Committee. The draft letter is to be reviewed by Mr. McIntosh and the steering committee before it is forwarded to the Department of Justice.

Signed

D. E. Levesque,  
*Clerk of the Committee.*

May I have a motion for concurrence in the minutes? It has been moved by Mr. Hamilton (Qu'Appelle) and seconded by Mr. Asselin (Richmond-Wolfe).

Motion agreed to.

When we adjourned for lunch we had concluded the paragraph "licensing and bonding" and we had stood over for later consideration the paragraphs entitled "eastern elevator handlings", "exports", "domestic usage", "carry-over". Oh yes, I think we have covered "eastern elevator handlings".

MR. PIGEON: Mr. Chairman, on a point of order, I would appreciate it very much if we might ask the Minister of Agriculture to be here, because we have the board with us. These gentlemen are all very busy, and it is impossible for them to stay here for many days or many weeks. I think it is the duty of the Minister of Agriculture to be present, because we have very important questions to address to him for clarification, and as matters of public interest, as well as for the farmers. I think it is the duty of the minister



to be here, and I would appreciate hearing why the minister is not here today. He was in the house a few minutes ago, so why is he not here this afternoon? I would like to hear the reason for that.

The CHAIRMAN: Mr. Pigeon, I can only repeat to you what I said a moment ago, that the minister said that he had a commitment made some time ago which would not permit him to appear this afternoon.

Mr. KINDT: Was it another auction sale?

Mr. TARDIF: I think we would save a lot of time if we did not play politics here but went ahead with our business. It does not encourage me to come very often if we are going to spend our time playing politics.

Mr. CLANCY: I think for the benefit of some of the eastern Canadian members the powers under the statute of the grain commissioners should be set out. We ranged this morning through national revenue, the Canadian wheat board, and GATT right through until lunch time. I think it is time that the members of the committee learned what you are here for, why, and under what statute you are set up. There is no use to ask you the question why you have to obtain a permit to bring in grain, because that is not your job. But I think it is time that this committee got down to work or we will be keeping the Board of Grain Commissioners for Canada here for the next three weeks.

An hon. MEMBER: Do your homework. You can read, and so can I.

Mr. PIGEON: On a point of order, I do not think I am playing politics when I say that it was decided this morning to ask the Minister of Agriculture to come here to be a witness. That was our desire. I cannot understand why he is not here. I know he is a busy man, but I think the Canadian people and the farmers of this country have asked us to work for them, it is impossible to accomplish anything if the minister is not here. I think my point is very important.

The CHAIRMAN: Well, I have heard your point and I have told you what information I had when I read the report of the steering committee. Your steering committee reported not only the meeting of ten days ago or of a week ago but of its meeting this afternoon, and I think we might proceed if the committee agrees.

Mr. CLANCY: I still suggest that some of these people should be told exactly what the duty of the Board of Grain Commissioners for Canada is, and we should not range all over the field the way we were doing this morning.

Mr. MOORE (*Wetaskiwin*): May I suggest that we go ahead with the consideration of the annual report of the board of grain commissioners for Canada, and after we do that we can finish with them this afternoon, and when the Minister of Agriculture is available, we can hear him. I understand he will be available on December 3.

The CHAIRMAN: Yes.

Mr. MUIR (*Lisgar*): When we call him we may clarify any questions at that time that are held over from the meeting with the commissioners. I do not think we need to call them back. With all there is left of the report I think we could very well finish it this afternoon.

Mr. CLANCY: On this table this morning in English and in French there was a summary of the powers and duties of the Board of Grain Commissioners for Canada, yet we ranged for two hours over everything from ham prices to why we are not selling ordnance to Japan. I suggest to members of the committee that we had one member come in—and he is not here this afternoon—and we allowed him to ask questions which were absolutely irrelevant. So let us stick to business

The CHAIRMAN: I am quite prepared to stick to business, but on the other hand I sometimes think we make less progress by being too technical, too difficult. I assure you of my co-operation, and if I have the co-operation of the members, I am sure we can proceed, and we shall try to be relevant and stay within the report this afternoon.

Mr. MUIR (*Lisgar*): Would it be better to have Mr. Baxter answer the questions he was unable to answer this morning at this time, or at the conclusion of the meeting? Which would be preferable?

The CHAIRMAN: I am at the disposal of the committee. We stood three paragraphs. Many questions will arise. Let us proceed with the paragraph headed "exports".

Mr. FORBES: Under "licensing and bonding" you have a reference to an eastern elevator withdrawal. Could you tell me what elevator it was? Their capacity was 108.6 million bushels of grain, which was quite considerable.

Mr. BAXTER: The eastern capacity dropped by 2 million, to 108.6 millions. It was the plant Lakefield which was used as a temporary transfer storage facility. Grain which had to go into bay ports had to be moved over to Lakefield and stored there and shipped on to St. Lawrence seaports, which was a costly operation. As soon as it could be discontinued this was done, and the licensing of the facilities were allowed to lapse.

Mr. PIGEON: I have a question concerning the storage of wheat from the United States in Montreal and other eastern ports. Would this situation affect directly or indirectly the storage of wheat for eastern farmers? I understand the silo capacity is big and that would probably affect the farmers. Is that correct?

Mr. BAXTER: Mr. Chairman, as pointed out this morning, the facilities of the eastern elevators for transfer movement of United States grain in this export flow is not available after the end of the October period; part of the condition in their licence is that these spaces we allowed them for this movement during the normal season lapses at that time. I understand also this is not a direct function of the board of grain commissioners in this respect, but I think I can tell the committee that the Canadian wheat board, in co-operation with the shippers and exporters, considering their total over-all movement of grain, their commitments for the export trade and in working with the eastern elevators, have arranged for the provision of approximately five millions of space, five to six millions of space—that is practically the entire facility in Quebec by the close of navigation—approximately 5 millions of space at Montreal which, on the basis of the previous year's movement out of those two facilities during the winter months would appear to be within the range.

Mr. PIGEON: Do you think that space is sufficient?

Mr. BAXTER: As the Chairman said in his opening remarks, I am not an expert on the requirements of the eastern feed trade. I think that the eastern feeders themselves would be far more competent to come up with a figure of the total requirement in that regard. All I can say is that on the basis of the previous years' patterns those quantities have been sufficient to meet the domestic flow during that period.

The CHAIRMAN: May we move to the paragraph headed "exports"?

Mr. PIGEON: Mr. Chairman, I have another question. In your experience do you think it would be good for the eastern farmers to build elevators close to navigable rivers, for instance in the Lac St. Jean river or Chicoutimi?

Mr. BAXTER: Again, Mr. Chairman, that would be something which I would not be particularly competent to answer. As I say, I am not familiar with the actual regional breakdown of the eastern demand for feed grains.



I know the flow in and out of licensed elevators, but beyond that I could not say.

Mr. PIGEON: I wish to make only one more remark. I wish to thank you, sir. This is very important for us and we should hear the Minister of Agriculture on that.

The CHAIRMAN: We are now on exports.

Mr. MACLEOD:

Exports of the five principal Canadian grains moving via the licensed elevator system amounted to 378.4 million bushels during the crop year ended July 31, 1962. Included in the 1961-62 total were 322.7 million bushels of wheat, 2.7 millions of oats, 36.6 millions of barley, 4.4 millions of rye and 12.0 million bushels of flaxseed. Canada also exported 31.9 million bushels of wheat flour during the same period. The bulk wheat shipments indicate an increase of 12 million bushels over 1960-61 clearances. Exports of oats and rye were only slightly heavier than those of the previous year while shipments of wheat flour, barley and flaxseed reflected moderate declines in comparison to the previous year. The 410.3 million bushel total of the five principal grains plus wheat flour exported was 4.0 millions heavier than 1960-61 clearances and exceeded the long-term 30-year average by 86.0 millions. The shipment of 322.7 million bushels of Canadian wheat in bulk form through the licensed elevator system during 1961-62 has been surpassed only twice in Canadian grain trade history—first, in 1928-29 (354.4 millions) and again in 1952-53 (329.0 millions). Statistics compiled by the grains section of the F.A.O. indicate that Canada's exports represented approximately 22% of the world trade in wheat and wheat flour—a slight reduction from the 1960-61 share of the total world wheat movement.

Mr. SOUTHAM: Mr. Chairman, what prompts my question is the fact that during the last several years we have been exposed to this very heavy and extensive demand for Canadian wheat, which we all appreciate. What I am concerned about particularly is that owing to our great geographical area and to the climatic conditions in Canada we are sometimes exposed to hardships in central Canada. I come from one of these areas and I am thinking of the problem that exists presently in our riding with the disposition of our wheat and getting it into position for sale at ports. The question is, do the grain commissioners think based on their experience, that we have ample facilities, in view of this expanding market? In view of the fact that we expose a certain number of our producers in central Canada to a curtailment of their exports, what is their view on this problem? Right at the present time we have an apparent shortage of box cars or an apparent shortage of facilities in order to keep our quotas even. Is that directly your responsibility? I am wondering whether you are prepared to give a submission or an answer to this question: have we got adequate facilities for the foreseeable future?

The CHAIRMAN: You are speaking of storage facilities, I take it?

Mr. SOUTHAM: In both eastern and western Canada and it applies both to the domestic and export markets.

Mr. BAXTER: Mr. Chairman, before the western committee on grain standards had their meeting in October in Winnipeg I prepared a memorandum in which I expressed my own personal opinions based chiefly on the pattern of the flow which would develop. At that time the actual flow arising out of the Russian contract had not been completely established, but looking back over the statistics for the past number of years it was possible to establish what I call potential handling capacities at the various sectors. I tried to relate the present commitments to that. It is a fairly lengthy statement but perhaps you would permit it to be merely tabled with the committee.



Mr. CLANCY: I would suggest, Mr. Chairman, that it be printed.

The CHAIRMAN: It will be appended as part of the proceedings of this committee.

Mr. SOUTHAM: Could we have it in both English and French?

The CHAIRMAN: It is agreed. I am going to file with the Clerk of the committee a memorandum entitled "board of grain commissioners of Canada" dated October 6, 1963 and prepared by E. E. Baxter, chief statistician. With the approval of the committee this will be appended to the proceedings of this meeting in English and French.

May we move from the paragraph headed "exports" to the paragraph headed "domestic usage"?

Mr. MACLEOD:

#### Domestic Usage

The volume of the five principal grains moving into domestic channels for feed, seed, human food and industrial use amounted to 604.0 million bushels during the 1961-62 crop year. This reflects a statistically indicated reduction of some 200 million bushels from the previous crop year's record figure. This decline was primarily due to the sharp drop in the "on farms" utilization of oats and barley which in turn was conditioned by the reduced 1961 crop and the difficult feeding situation which prevailed during that period. As in previous years, the bulk of the 1961-62 disappearance still involved direct feeding from farm stocks or farmer to farmer sale. Preliminary estimates place domestic usage for all purposes for the individual grains at the following totals with 1960-61 statistics in brackets: Wheat 145.5 (153.5), oats 317.4 (451.9), barley 130.7 (179.4), rye 5.8 (6.9) and flaxseed 4.6 (6.7), all in millions of bushels.

The CHAIRMAN: Thank you, Mr. MacLeod. If there are no questions arising out of this paragraph may we move on?

Mr. HARKNESS: Do you think this reduction of 200 million bushels in the use or disappearance of feed grains is really a valid figure?

Mr. BAXTER: I think that Mr. Hamilton raised this question this morning, that subsequent to the close of that crop year and to the writing of this report the dominion bureau of statistics, whose figures on farm stocks necessarily form a part or a basis for this estimate, made an upward revision in their farm carryover which had to be reflected back into the close of the 1961 season. On that basis the farm usage figures would have to be adjusted.

Mr. HARKNESS: There is not very much doubt that there was just as much grain fed to cattle, hogs and so forth in that year as there was in the previous year. This is a purely statistical figure which bears no relationship to the real facts of the case.

Mr. MUIR (*Lisgar*): How do you keep track of farm to farm sales?

Mr. BAXTER: There is no way as far as the facilities of the board of grain commissioners are concerned to have any record of these farm to farm sales. The only way in which these figures in here can be determined is on a balancing basis, and where I use the expression "farm to farm sale" we know that that does take place, but I could not say that it is farm to farm any more than it was directly on the farm on which it was produced.

Mr. MUIR (*Lisgar*): Can you call it an educated guess on the part of the dominion bureau of statistics?

Mr. BAXTER: I would.

Mr. OLSON: I would like to ask for a more detailed definition of what has been termed the difficult feeding situation in the period covered.

Mr. BAXTER: This refers to the period in which the prairies went through very close to a drought in which feed supplies in western Canada were in extremely short supply.

Mr. OLSON: You are taking into consideration that there might have been some grain used for the supplementary season?

Mr. BAXTER: I am sorry, I did not hear you.

Mr. OLSON: I am asking if you are taking into consideration that there was use of some grain in western Canada to feed livestock during those periods when grazing was below its normal capacity.

Mr. BAXTER: Yes.

Mr. OLSON: Have you separated the amount of feed grain consumption in the western provinces from the eastern provinces, and is most of the decline in one area or the other?

Mr. BAXTER: Most of the decline was in the western area.

Mr. OLSON: I have one other question. We have heard a number of things from various sources that there is more feed grain in storage in eastern Canada now than there has been for a long time. I am wondering if this has come about as a result of the board of grain commissioners allocating more space for this kind of storage?

Mr. BAXTER: The facts are, at the present time there is approximately twice as much feed grain in eastern elevator positions at the last report dated November 13 than applied a year ago. As far as our responsibility is concerned, the board of grain commissioners I would say are not responsible in that respect. It has been due to the operation of the shippers and the co-operation of the wheat board in moving supplies eastwards.

Mr. OLSON: You would suggest the reason that more space is available is that more has been requested?

Mr. BAXTER: More has been moved down there.

Mr. OLSON: In past years then it is not as a result of your allocation of space that there have been what some have termed insufficient supplies in the eastern positions of feed grains?

Mr. BAXTER: As the chief commissioner explained this morning, in the allocation of space with respect to eastern elevators our particular jurisdiction is the allocation of space for the handling of United States grain through these facilities. Certain permission for space has been given to eastern elevators to use this space according to their own commercial contracts. There has been no substantial change in that respect as far as this point is concerned.

Mr. OLSON: Would you care to express an opinion on why there is twice as much in position now?

Mr. BAXTER: I would say that the commercial organizations engaged in the moving of the grain anticipate an expanded demand and they are moving it down there in anticipation of that.

Mr. OLSON: It would not be as a result of any directive from government policy?

Mr. BAXTER: I would not care to express an opinion on that.

The CHAIRMAN: We are getting into the realm of opinion.

Mr. RAPP: Mr. Chairman, I have a question and I am not sure whether I should ask it under "exports" or under "domestic usage". At the present time we have one more grain listed in the Canada Grain Act, and I refer to rapeseed. This grain is on the open market. Does it come under the jurisdiction of your board or have you actually nothing to do with it at all? Would you give the committee a statement or an explanation on this matter?

Mr. MACLEOD: Mr. Chairman, rapeseed is treated like any other grain. It is grain under the Canada Grain Act; therefore it comes under the jurisdiction of the board for inspection, weighing and tariffs.

Mr. RAPP: But at the present time or since last fall it was listed for the first time on the grain exchange and the prices and quotations are listed now. Will this grain in the future be treated in the same way by the board as the other five grains which come under the Canada Grain Act?

Mr. MACLEOD: Yes, it was put in the act several years ago.

Mr. RAPP: So when we get the 1963 or 1964, report reference will be made to it as to other grains as far as exports are concerned?

Mr. MACLEOD: Mr. Baxter has those statistics.

Mr. RAPP: Can you give us these statistics at the present time?

Mr. BAXTER: I have the statistics here. I have a summary of 1960 to 1963 statistics. It is rather difficult to read them all. Actually this is a three-crop year. I could give it to the committee to file as part of the report.

Mr. RAPP: I would like to have the gentleman give these statistics.

The CHAIRMAN: Do I understand you have not them immediately with you but you can file them?

Mr. BAXTER: I have them with me but they are extensive.

The CHAIRMAN: Would you be agreeable to their being filled?

Mr. RAPP: If they are printed as an appendix to the proceedings I would be pleased to have these figures.

The CHAIRMAN: It is agreed.

Are there any further questions on the domestic usage? We will move to the paragraph on "carryover".

Mr. MACLEOD:

#### Carryover

Reports received from elevator licensees and combined with farm stock estimates indicate the July 31, 1962, carryover to be of the order of 537.0 million bushels which includes 391.0 millions of wheat, 79.1 millions of oats, 57.8 millions of barley, 3.8 millions of rye and 5.3 millions of flaxseed. This represents the smallest Canadian grain carryover since the early 1950's and is less than one-half the record year end holdings of 1,120.3 millions recorded for July 31, 1957. Over 70% of this carryover was held either in licensed elevators or in public carriers moving between licensed points compared with the 1957 situation when more than half of the year end stocks were still in farm bins.

The CHAIRMAN: Is there anything arising out of that paragraph?

Mr. CLANCY: I have a question on that one. Is the figure for farm bins still an estimate? No one knew how much was on the farms. It was an estimate.

Mr. BAXTER: That is correct.

The CHAIRMAN: The next paragraph on "licensing and bonding" has been concluded.

We now come to "assistant commissioners".

Mr. MACLEOD:

#### Assistant Commissioners

Through its four Assistant Commissioners, the Board kept in close touch with the operation of licensed country elevators in the Western Division. During the year 1962, the Assistant Commissioners inspected 641 elevators in Manitoba, 469 in Northern Saskatchewan, 859 in



Saskatchewan, and 951 in Alberta, a total of 2,920. This inspection included checks on scales, sieves, moisture meters and certain other equipment; deductions for shrinkage and Prairie Farm Assistance Act Levy, and posting of current Board Regulations applying to country elevators.

Complaints originating from country points, including one brought forward from 1961, totalled 6, as compared with 13 in the previous year.

Disposition of complaints investigated was as follows:

|                              | Manitoba | Saskatchewan | Alberta | Total |
|------------------------------|----------|--------------|---------|-------|
| No grounds for complaint.... | —        | 3            | —       | 3     |
| Settlement effected.....     | —        | 1            | 1       | 2     |
| Complaint withdrawn.....     | 1        | —            | —       | 1     |
| TOTALS.....                  | 1        | 4            | 1       | 6     |

The Assistant Commissioners received and handled numerous inquiries on various matters related to country elevator operation.

Mr. FORBES: Could I ask you why you divide Saskatchewan into north and south and what significance does it have?

Mr. HAMILTON: We have two assistant commissioners in Saskatchewan. The province is divided off and this just separates their work.

Mr. MUIR (*Lisgar*): I should like some information for the benefit of eastern members. Is there no comparable policing method for the eastern elevators—not even those elevators receiving eastern wheat?

Mr. HAMILTON: No.

Mr. RAPP: Mr. Chairman, I would like to ask whether the sieves in some of these elevators have changed or are there some changes requested sometimes by the farmers?

Mr. AINSLIE: For feeding different grains?

Mr. RAPP: Sometimes it varies from year to year when you have a better grain and sometimes when you have a frozen grain.

Mr. AINSLIE: The sieves that are authorized for use in country elevators are set forth in schedule E of the Canada grain regulations and these are the only sieves that they are permitted to use in country elevators for cleaning farmers' grain.

Mr. RAPP: I have a supplementary question. A couple of years ago there were quite a few demands from farmers to have some of the sieves for rapeseed changed for the simple reason that some new varieties of rapeseed came in. On account of this the old sieves were supposed to have been too big and as a result of this the dockage was very heavy. I know some elevator inspectors have given consideration to this. I spoke to them personally and they felt that there should be a change made from No. 5 to No. 6, or something of that nature, I cannot remember.

Mr. AINSLIE: I think, Mr. Rapp, that all country elevators now that are handling rapessed have the three wire mesh sieves that are required in our regulations. These, in our experience, do a very adequate job of cleaning.

The CHAIRMAN: Is there anything further under that paragraph, gentlemen? May we move to the paragraph on "prosecutions"?

Mr. MACLEOD:

Prosecutions

No penalties were levied during 1962 for breaches of the Canada Grain Act or the Board's Regulations and orders.

The CHAIRMAN: If there are no questions, then we come to the next paragraph "shortages and overages, country elevators".

Mr. MACLEOD:

Shortages and Overages, Country Elevators

The light 1961 crop and the consequent lower volume of prairie marketings made it possible for the grain companies to reduce the stock levels in many of their country elevators to weighover proportions during 1961-62. As a result of this situation some 2,368 separate complete cut-off reports were submitted, more than 900 above the previous year's audits. Notwithstanding the high proportion of long period (over 4 years operations) cut-offs the relative patterns in the various classifications quoted below were significantly unchanged from previous years.

Mr. HAMILTON (*Qu'Appelle*): This subject has caused a great deal of concern in western Canada, I mean this question of shortages and overages. I know that we must be very careful in questioning the board on the subject so as in no way to bring out any information which would be harmful to an individual who does not have the opportunity to defend himself. So I shall confine myself to general questions. The members of the committee want to be satisfied that we are getting the proper type of work out of the board of grain commissioners. My first question is this: in this pattern of shortages and overages, have you detected first of all any areas where overages are greater than overages in other areas?

Mr. HAMILTON: The answer is no, no one area.

Mr. HAMILTON (*Qu'Appelle*): Have you detected any elevator company—without naming it—where overages are greater than the average?

Mr. HAMILTON: Once again the answer to the question is no.

Mr. HAMILTON (*Qu'Appelle*): My third question: does it then come down to the fact that these overages are usually in the hands of isolated elevator operators, or to put it another way, did these 88 people you refer to—you indicate that there are 88 people who had something to explain to the board because of their overages—

Mr. HAMILTON: Yes, those 88 people had explaining to do. That is for sure. They represent the whole grain growing area. There was no concentration of them at any one spot.

Mr. HAMILTON (*Qu'Appelle*): There was no concentration with respect to a company?

Mr. HAMILTON: There was no particular concentration in one company.

Mr. HAMILTON (*Qu'Appelle*): Are there any extenuating circumstances which explain those overages which you could accept?

Mr. HAMILTON: Yes, one of the reasons commonly given, particularly if you go back a few years covering damp and tough grain, was that the shrinkage allowance is adequate, and certainly if the grain is taken into a country elevator and immediately shipped out, there is going to be no shrinkage. In that case the grain appearing at that elevator gains complete shrinkage.

I will give you two examples of how they can accumulate overages. Let us take one where the agent buys wheat as No. 6 by reason of a large number of weed seeds. These weed seeds are deducted, and he loads his box car, and the government grader says it is feed wheat. But under the grade of feed wheat,

it is allowed to carry three per cent of large weed seeds without any dockage. So suddenly the 60 bushels of dockage have become 60 bushels of feed wheat, and he had made up on this from the fact that he had gained 60 bushels in overage.

Take another case, particularly if they have a cleaner in the elevator; they could take on 2,400 bushels of oats which were bought as No. 3 feed, oats and ship it officially graded as No. 3 oats. But it could contain 25 per cent of wild oats. Therefore 300 bushels could be wild oats. But suppose there were only 200 bushels in the mix taken out of the elevator, and he added, quite rightly, 400 bushels of wild oats that he had taken out of his screenings. Suddenly the 400 bushels that he had as screenings become 400 bushels of graded grain. This would mean a gain for the operator and elevator company of 400 bushels. So you see there are a lot of reasons. But we think this sort of procedure will control two sides of this overage thing. As you know we set about .25, which is a quarter of one per cent. This is working pretty close to tolerance. I do not think there is a country elevator scale which will weigh within one-quarter of one per cent. I think the grain buyer is beaten before he starts.

Our concern was such that we got some of our weigh men to go out and load approximately 80 cars in the three provinces as carefully as they could load them. The cars were weighed on the railroad scale, the railroad officials were there and the senior officials of the grain company, together with our weighman. The cars were sent through Winnipeg without having the seals broken. Yet the figures in the end showed there were variations from 350 pounds short to 1340 pounds over, despite the fact that we weighed as accurately as we could. So I think before we can hold the country elevator agent accountable, we must take a good look at the scales. So we have asked Dr. McPhail from the national research council to start at Montreal and to check our scales.

Mr. HAMILTON (*Qu'Appelle*): Do you think your system of checking is sufficient to catch any person who is deliberately altering the weights for his own personal advantage?

Mr. HAMILTON: We have ordered our assistant commissioner to be present at the country elevator weighovers. I do not think this has been done before. It will take a while for our people to become thoroughly familiar with the system. But just the fact that our people are liable to be there leaves us satisfied so far that the figures we are getting are correct.

Mr. HAMILTON (*Qu'Appelle*): Will you get more accurate figures now that the grain is moving faster and regularly overseas so that it may reasonably empty an elevator?

Mr. HAMILTON: Absolutely. The trouble in the past has been that the weighover covered periods of almost ten years, and it is impossible to go back over ten years and expect a man to come up with reasons. Certainly now with the rate of turnover in the last couple of years, when elevators were more or less empty at times, we were able to weighover a much greater percentage than ever before.

Mr. HARKNESS: Are there many elevators left which have not been weighedover in the last two years?

Mr. HAMILTON: I do not think so.

Mr. HARKNESS: You do not know how many?

Mr. BAXTER: We are right in the process of compiling returns for the 1962-63 season. The annual returns are coming in now to our offices. These reports will indicate the answer to that question. I think on the basis of last year's reports and the subsequent weigh-up reports, the returns which have been coming through to us indicate that by the end of this season, a two or three year period would be then absolute maximum.



Mr. HARKNESS: I think there is no question that the difficulty of getting a weighover which existed in so many places for so long, greatly aggravated the problem of overages, and what they were, and of suspicion in regard to them. If you can get a weighover every two years, you are in a very much better position.

Mr. HAMILTON: I mean financially.

Mr. FORBES: I understand the board of grain commissioners supervise the weighing of export grain. In other words the grain elevator at Fort William may load a boat. What do you do if there should be a shortage or overage there?

Mr. MACLEOD: The board of grain commissioners supervise the weighing of grain in all terminal elevators, but not in Montreal elevators. Other than Vancouver, Port Arthur, and Churchill, we do not have weighing in the eastern division at all.

Mr. FORBES: What report do you get on grain weighed in under your supervision at Fort William when its destination may be London, England?

Mr. MACLEOD: The only time we hear about it is when there is a shortage, and we receive complaints.

Mr. FORBES: Do you get any complaints?

Mr. MACLEOD: That will come up later on.

The CHAIRMAN: This is on page 14. Might we not deal with it when we come to it?

Mr. FORBES: Very well.

Mr. CLANCY: Do you think there is better control now of overages and underages, and is it due to the fact that some of the annexes are being done away with or modernized, and the fact that off-track storage is being done away with?

Mr. HAMILTON: It was certainly a contributing factor to that, sir, and to all overages.

The CHAIRMAN: May we now move to the paragraph entitled—

Mr. LANGLOIS: I have a question on overages and shortages. I hear there was no control over the eastern ports.

Mr. MACLEOD: I hope I did not leave the impression that we did not have any control. We do not supervise the weighing; but as to the control we have, with our weighing staff and inspection staff we weighover all eastern elevators in each crop year, so we know by the results of that audit if there is anything wrong.

Mr. LANGLOIS: Who is in charge of supervising weighing in the eastern ports?

Mr. MACLEOD: We have a man at the eastern elevators, and it is done by the elevator staff themselves.

Mr. LANGLOIS: Under your jurisdiction?

Mr. MACLEOD: We have jurisdiction to go in the elevator and inspect the scales.

Mr. LANGLOIS: Are you satisfied with this control?

Mr. HAMILTON: Mr. Chairman, this is rather difficult to answer. Obviously we were not too satisfied with the weighing, so we asked Dr. McPhail to go down with his team of experts and check the scales. We have had a good number of complaints about shortages, and we have investigated them. We have one weighman stationed at Montreal and he is kept busy investigating these complaints. In Montreal they use a very complicated but efficient scale which is

known as the Toledo automatic electronic. It is a little bit touchy, and we are not satisfied with it. It works well at all times, but it is a bit too complicated for us.

Mr. LANGLOIS: Would it not be preferable to have a supervisor so you would not have so many complaints? Is there any special reason why you do not have a supervisor?

Mr. HAMILTON: No. The Canada Grain Act is not mandatory that we do this weighing, and the only check we have is to audit the elevators once every crop year, with a complete weighover.

Mr. LANGLOIS: I take it we would have to amend the Canada Grain Act so that you would have jurisdiction to have a supervisor on the spot.

Mr. HAMILTON: I would think so. Probably we would have to have one government weighman working in there. This would create difficulty, but it would probably serve as a double check anyway.

Mr. VINCENT: I would like to ask a question of Mr. MacLeod. When you weigh grain like that, do you check the moisture content too?

Mr. MACLEOD: This is during an audit, our annual audit, you mean?

Mr. VINCENT: When you weigh grain with, let us say, 15 per cent moisture, you would weigh it after a certain time when it might then be 16 or 15½, and the grain that might weigh more at that time.

Mr. MACLEOD: All grain is inspected and the moisture content is recorded by the inspecting department at any time the grain is weighed.

Mr. HAMILTON: They only weigh grain in the eastern terminals once a year. They keep a record of the grain coming in and the grain going out and they process the figures to see what their overage and underage is, but the board does not maintain a weighman to watch over the operation of the manual scale. Once a year we conduct an audit check.

The CHAIRMAN: If there are no further questions arising out of that paragraph, let us now move on to "regulations".

Mr. MACLEOD:

#### Regulations

The following amendments were made to the board's regulations, effective August 1, 1962:

Regulation No. 5: The paragraph dealing with "rejected" grades of flax seed, rapeseed and domestic mustard seed, was revised.

Regulation No. 7: The definition of the grade "No. 1 Feed Screenings" and other portions of the regulation were revised.

Regulation No. 16: A schedule of fees to be charged to shippers for samples provided to them, was added.

Regulation No. 18: The list of sieves, scales and other equipment to be used for determining dockage in grain at licensed country elevators, was revised to bring it into line with current grain inspection procedure.

Effective September 1, 1962, the board amended regulations Nos. 20, 21 and 22 by increasing certain items in the maximum tariffs of charges to be made by licensed eastern, country and terminal elevators. Maximum charges and shrinkage allowances applicable to rapeseed and mustard seed were also incorporated in regulations Nos. 21 and 22.

Mr. HAMILTON (*Qu'Appelle*): On this last part which was read, I am talking about eastern elevators; do you have anything to do with the setting of the storage rates? When you say "tariffs" you do include the storage rates as well as the handling charges? Is that right?

Mr. MACLEOD: Right.

Mr. HAMILTON (*Qu'Appelle*): Is there a different storage charge in these eastern elevators for grain going through for export as opposed to grain that is going to be used in the domestic market?

Mr. HAMILTON: There is no difference in the storage charges.

Mr. HAMILTON (*Qu'Appelle*): There is exactly the same storage charge regardless of what the end use of the product is? This is a point I want to make clear.

I have a related question to which I know the answer already. Who is it who sets the rates on the carrying of grain between Montreal and Baie Comeau?

Mr. BAXTER: There is a separate statute called the Inland Water Freight Rates Act which empowers the board to establish the maximum charges that may be assessed by the lake vessels for the carriage of grain from Fort William-Port Arthur to the eastern Canadian ports. With the opening of the St. Lawrence seaway the board, in consultation with the minister, decided that it was in the best interests of all parties concerned to suspend our setting of the maximum level. The reasoning behind that was that the maximum had tended in the past to be a mark towards which the carriers levelled their charges. With the possibility of an expanded competition from the ocean type vessels and the fact that the large carriers could then move directly from the lakehead straight through the St. Lawrence ports at a much reduced cost and eliminate the transfer at eastern ports, it was felt that this additional facility would result in a lowering of the charges and the results were definitely borne out; the charges dropped from an average of 16 cents, which was our previous maximum on carriage of wheat from the lakehead to St. Lawrence ports, down to 13 cents, to 12 cents and subsequently down to nine cents during this past year.

Mr. HAMILTON (*Qu'Appelle*): What you have stated then is that the board of grain commissioners does set the maximum for the hauling of grain on the inland waterways?

Mr. BAXTER: We may set the maximum.

Mr. HAMILTON (*Qu'Appelle*): And competition has brought this substantial reduction.

My next question is whether there is any differential between the rates charged for grain for domestic use as compared to exports?

Mr. BAXTER: In so far as our maximum levels and previous operations were concerned, no.

Mr. HAMILTON (*Qu'Appelle*): Is there any possibility that a person ordering grain for domestic storage at the eastern terminal and using a smaller ship to haul this grain as opposed to the big lake carriers thereby pays a higher rate per bushel?

Mr. BAXTER: Prior to the past month the rates were quite comparable. There was no appreciable difference in the rates. As you would suggest from your question, the operator of the smaller vessel was achieving a much smaller margin, in some cases running the risk of running a small loss on his shipment from the point of view of the rates which he had to charge to get the tonnage. During the recent months, or at least subsequent to the Russian contract, there were substantial bookings made in advance and the domestic requirements were met, at least a large part of them, at the then going levels. Subsequent to that there has been a slight upward pressure in the rates on these domestic cargoes. The export cargoes, that is the lake cargoes going down to meet export commitments, had also been negotiated in advance and by a very fortuitous arrangement by the Canadian wheat board which they would no doubt be far more prepared to explain to this committee.



Mr. HAMILTON (*Qu'Appelle*): Therefore in setting your tariffs on storage in the eastern terminals or in setting your tariffs on the inland water carriage of feed grains from western Canada, you know of no differential that would give an advantage for anything that you do to the export shipper as opposed to the person who is buying feed for domestic use?

Mr. BAXTER: The point was just raised by Mr. MacLeod that elevator charges are different for export as compared to domestic charges. Your question however related to the lake carriage rates.

Mr. HAMILTON (*Qu'Appelle*): I was coming to the elevation later. I want to establish whether, as far as you know, outside the one possibility that there might be higher charges because of a smaller ship being used, there is anything that the board does in setting its toll for storage or for carrying on inland waters that would discriminate against the buyer of grain meant for domestic consumption in eastern Canada?

Mr. BAXTER: The answer is no.

Mr. HAMILTON (*Qu'Appelle*): I do not think the time to discuss elevation is here, or is it? Elevation would be included in these charges, would it not? I want to continue my questions on elevation. It has been mentioned by Mr. MacLeod that there is a differential in the elevation charges that the board of grain commissioners allows. Could this be explained to the committee please?

Mr. MACLEOD: Grain for export is \$16 per thousand bushels and for domestic use it is \$18 per thousand bushels.

Mr. BAXTER: Further to that, sir, the tariffs set by the board of grain commissioners in this respect are established on the basis of representations made to the board by the eastern handlers, by the companies licensed under the board at the annual tariff meetings. Inherent in the handling of domestic grain are additional operations, the loading to box cars, the loading to trucks, which involves special facilities. Additional dangers are involved for losses in handling and additional costs to the elevators. These tariffs they have submitted, and which they asked for, charges in excess or above the export movement which is strictly an in and out proposition, I think reflect this additional cost.

Mr. HAMILTON (*Qu'Appelle*): My final question is this: have you a differential here? Under your tariffs you allow them to charge \$2 more per thousand bushels for handling domestic grain. Is this differential sufficient to cause no discrimination between the owner of an elevator except in grain for the two purposes? What I am trying to bring out here is whether there is any reason, because of the smallness of the price differential, for a man running an elevator to prefer handling export grain?

Mr. BAXTER: Presumably, sir, if the company is being forthright in its submission to us they should be asking, by virtue of competition within the area, for a differential that was commensurate with the additional cost.

Mr. HAMILTON (*Qu'Appelle*): If this point is true, then the charge which is heard quite often in eastern Canada that the elevators are so full of export grain that there is no room for domestic grain is not based on the tariffs charged either for the hauling on the inland waterways or the storage charges or the elevator charges. It must be some other factor.

Mr. BAXTER: That is a very complex question.

Mr. HAMILTON (*Qu'Appelle*): Is that not the sum total of all the things you have told me this afternoon?

Mr. BAXTER: Yes.

Mr. HAMILTON (*Qu'Appelle*): Therefore, on the basis of what you have told me, as far as you can see, and even though it is complex, it is not anything in

the charges either on storage, shipping or elevation that would cause discrimination and induce the elevator owner to prefer domestic wheat to export grain in his elevator?

Mr. BAXTER: On the basis of the charges, no.

Mr. HAMILTON (*Qu'Appelle*): I am trying to eliminate all the possibilities of discrimination and come down to the question why there is sometimes a lack of domestic grain in eastern elevators. You have eliminated those three possibilities. Thank you.

Mr. HAMILTON: I should like to speak on the point raised by Mr. Hamilton. Depending on how you operate a terminal elevator, your stocks are going to be depleted during the winter months. If you know you will have export grain you know you are going to have a full house.

Mr. HAMILTON (*Qu'Appelle*): That is a very important answer and I would like the committee to take notice of it because in essence what the chief commissioner has said is that there is nothing in the charges that causes discrimination. Export grain, because of the freezing up of our waterways, gives full storage payments every month. The elevator owner receives much more money out of handling export grain than he would receive from handling domestic grain because domestic grain is taken up month by month. Is that correct?

Mr. HAMILTON: Yes.

Mr. RAPP: Mr. Chairman, I would like to ask the chief grain commissioner what jurisdiction the board possesses over the grain companies in areas where they have municipal by-laws which do not permit mustard seed to be planted or grown? Have you jurisdiction to stop these grain elevators from buying mustard seed even if they come from areas outside the municipality? I know that in my area in the north we have many municipalities which have by-laws stating that mustard seed is not allowed to be grown for the simple reason that it mixes with rapeseed, and therefore it cannot be sold.

The CHAIRMAN: As I understand Mr. Rapp's question it was not whether you had jurisdiction over what they can grow but whether you have jurisdiction over the elevator buying mustard seed in this area where there was a municipal by-law.

Mr. RAPP: Have you got the answer?

Mr. AINSLIE: I will do my best to clear up the point for you, Mr. Rapp. In my experience there is nothing in what the board controls that prevents an elevator agent from purchasing mustard seed.

Mr. RAPP: But the areas where they have a by-law that the farmers cannot plant mustard seed, what about them?

Mr. AINSLIE: It is not within our control.

Mr. RAPP: My other question is this: Did regulations Nos. 20, 21 and 22—and I would like to direct this question to Mr. MacLeod—come into effect after you and I had something to do with the changing of the grain act? This is the last paragraph in the regulation.

Mr. MACLEOD: Mr. Chairman, when rapeseed was put in the Canada Grain Act we did not include the tariffs in our regulations at that time. I believe the board wanted to wait to make a survey of the whole situation and it became so important that the board decided it was better to have the tariffs because there was no actual tariff set for it.

Mr. RAPP: What I mean is that the grading itself was changed by the act so that different grading was accepted. Before there was only one grade of rapeseed. Now they have two or three grades and the regulations are set out as to the percentage of dockage and moisture.

Mr. MACLEOD: I believe Mr. Rapp initiated this. As a result of this the Canada Grain Act was changed.

Mr. RAPP: But after the board of grain commissioners' request it was changed.

Mr. LANGLOIS: I understood from Mr. Hamilton's statement that there was no difference in storage prices in the eastern ports between the grain tested for exportation and for domestic use. There was no difference in prices. There was a difference in the transport on smaller cargo. Is that correct?

Mr. MACLEOD: That is right.

Mr. OLSON: I would like to ask a question on the amendment to regulation 18. You state there that the list of sieves is revised. Did the use of these new sieves allow for more volume to be sifted out as dockage or less?

Mr. AINSLIE: When regulation 18 was amended so that the sieves were authorized for use at country elevators, these were the sieves we found from experience and extensive testing most nearly simulated the result there would be if it were handled through large commercial cleaning establishments.

Mr. OLSON: Does the list of sieves under regulation 18 apply only to rapeseed?

Mr. MACLEOD: Our list of sieves covers all grain and not just rapeseed.

Mr. AINSLIE: To add to what I was saying, there also were amendments with regard to sieves, most notably for cleaning barley and sizing it as to grade and size. Specifications were brought in.

Mr. OLSON: The amount of dockage that was allowed before the use of these other sieves has not changed appreciably in total volume because of these revisions.

Mr. AINSLIE: No, not at all.

Mr. LANGLOIS: The definition of No. 1 screenings has been changed. Could we have the definition of what is now understood as No. 1 screenings?

Mr. AINSLIE: The definition now for No. 1 feed screenings is as follows:

54. No. 1 Feed Screenings

- (a) shall be grain screenings;
- (b) shall be cool and sweet;
- (c) shall contain
  - (i) not less than thirty-five per cent broken or shrunken grain or both,
  - (ii) not more than two per cent hare's ear mustard,
  - (iii) not more than one per cent hulls,
  - (iv) not more than three per cent in the aggregate of small weed seeds that can pass through a  $4\frac{1}{2}$ /64-inch round-hole sieve, chaff, hulls and dust,
  - (v) not more than six per cent in the aggregate of small weed seeds that can pass through a  $4\frac{1}{2}$ /64-inch round-hole sieve, chaff, hulls, dust, wild and domestic mustard seed, ball mustard and rapeseed,
  - (vi) not more than eight per cent wild oats, and
  - (vii) not more than one per cent of the seeds designated as injurious in the feeds regulations; and
- (d) may contain wild buckwheat and small portions of other seeds of lesser feeding value.

The CHAIRMAN: Have we concluded that paragraph? May we go on to committees on standards?



Mr. MACLEOD:

The board constituted committees on western and eastern grain standards for the crop year 1962-1963 as provided in section 25 of the Canada Grain Act. Personnel of these committees is listed in Appendix A.

A meeting of the western committee was held at Winnipeg on October 18, 1962. The members received numerous reports relating to quality of crops grown in the 1962 season and to various other matters in connection with grading of grain, and also selected and settled standard samples and standard export samples for various grades of western grain.

The eastern committee met in Toronto on August 22, 1962, and in Montreal on October 25, 1962, and established standard samples for grades of grain grown in eastern Canada.

Both groups authorized continued use of previously selected standard samples in instances where suitable recent samples for established grades were not available.

Mr. SOUTHAM: Mr. Chairman, this morning I was very interested in the remark of one of the witnesses when he stated there were something like 300 various types of grades. In setting up these new committees to study the problem of grain grading, was this done on the basis that we are receiving some complaints now from overseas buyers or domestic buyers; what was the reason for setting up these committees? I realize that Canada has a very good reputation in world markets so far as the quality of our grain is concerned. Was this done to enhance our sale of grain and make it more easily available so far as various grades are concerned?

Mr. AINSLIE: The committees referred to in this section of the report are the western and eastern committees on grain standards. These committees meet annually to settle standards for the crop which has just been harvested. In their judgment, if they feel that other grades outside of the statutory grades are required, they define the commercial grades and set standard samples for them.

Mr. SOUTHAM: The buyers of grain are reasonably well satisfied with the Canadian standard of grain and the grades we have now?

Mr. AINSLIE: Yes.

The CHAIRMAN: I might remind members of the committee that this morning the matter of grades was being discussed and was laid over until we reached this section of the report. Are there any further questions?

Mr. CLANCY: I dislike correcting a colleague, but I would point out that the statement that there were 300 grades was not made by one of the witnesses, it was made by one of the members of the committee and corrected by the witness we have before us.

Mr. SOUTHAM: Roughly, what are the total numbers of grades we have under the grade standard?

Mr. AINSLIE: The western committee normally sets standards for somewhere in the area of 60 to 70 grades for all grain, and this covers the bulk of all grain that is graded in large commercial quantities.

Mr. SOUTHAM: You have no supplementary grades?

Mr. AINSLIE: If you turn to table D-2 at page 47, you will see the distribution of carlot inspections for the various grades of each kind of grain. If you total them up under wheat, for instance, you will see the first 14 grades, including tough, damp and smutty off-grades, total 99.8 per cent of all the wheat that was inspected in that year within a matter of 14 grades including

three off-grades. The others run at about the same figure. For instance, amber Durums are listed there with about seven grades that include about 98 per cent of the total.

Mr. SOUTHAM: I am sorry if I quoted the witness as making the statement; I did not mean to do that but I heard some such figures as 300, which surprised me. My basic question, of course, was prompted by the fact that we as wheat growers here in Canada are very proud of the quality of the grain we grow, and we are also very interested in the marketing of it. I was wondering if our grading system now met with the approval of overseas buyers in particular.

Mr. HAMILTON: I think the large number of grades comes about because of degrading factors such as frost, earth pellets, stones and an almost unlimited number of such things as can be tagged onto the end of the grade. It is these degrading factors that give us the 300 figure that someone mentioned.

Mr. CLANCY: Mr. Chairman, I would like the opinion of the chairman on the question I am going to ask. Does our strength on the export market not lie in the fact that we do grade our wheat, and that we export it from ocean ports to the buyer and guarantee him his grade?

Mr. HAMILTON: Yes, I believe this is the strength of our grain system.

The CHAIRMAN: Mr. Watson?

Mr. WATSON (*Assiniboia*): Is it possible for us to be given the figure for No. 1 northern wheat for some year other than 1961-62?

Mr. AINSLIE: I think the total for 1962-63 is approximately 13 per cent.

Mr. WATSON (*Assiniboia*): Let us go back before that, to the year 1960-61.

Mr. AINSLIE: In 1961, the percentage of No. 1 northern was about two per cent. But through the years from 1951 to 1961 it was 7 or 8 per cent.

Mr. WATSON (*Assiniboia*): As a supplementary may I ask if it could be explained to us why it is necessary to have a year like 1961, in which there was an almost complete crop failure, in order to raise the percentage of No. 1 wheat? As a result there is competition between grain companies, and therefore they give us No. 1. How can this be justified?

Mr. AINSLIE: This is something entirely out of our hands at the country elevator level. A country buyer may buy it as No. 1 but when it passes through official inspection at a terminal elevator it may be graded No. 2. The figures 1 have for the amount of No. 1 northern in a crop year are simply official inspections of carlots to terminal elevators.

Mr. OLSON: Do you know how this compares with the amount bought as No. 1 in the country elevators?

Mr. AINSLIE: No, I could not tell you.

Mr. SOUTHAM: Over the last several years I have had the honour of sitting on this committee. We have discussed the question of No. 2 grain, moisture content in grain, and the problem created in obtaining uniform quality from the country buyers into the terminals, and so on. There was some discussion regarding the quality of the different types of apparatus for moisture testing. Has this problem been resolved? I know we felt it was to be anticipated. Is it resolved now, in your opinion? Is there enough equipment of good quality in the hands of elevator operators to make the proper moisture tests?

Dr. IRVINE: We have standard moisture meters used throughout the country. The laboratory has an excellent system of checking all the moisture meters used in terminals, and our assistant commissioners are trained to use these machines when they go into the country. They can use them for checking throughout the country.

Mr. ASSELIN (*Richmond-Wolfe*): You said they can use them "throughout the country".

Dr. IRVINE: Yes.

Mr. ASSELIN (*Richmond-Wolfe*): East and west?

Dr. IRVINE: The assistant commissioners are not operating in eastern Canada, so this does not apply there.

Mr. PETERS: What is the normal export grade now? Is it a blend of the grades we see listed here?

Mr. AINSLIE: No, they are shipped as they are stored. They are shipped as grades of grain—No. 1 northern, No. 2 northern, and so on. They are inspected out of terminals. As they are loaded out of lakehead terminals they are inspected and a certificate final is issued. When they are unloaded into the St. Lawrence elevators and exported, the grades are checked again, and the original certificates are recalled and new ones are issued if the grades are satisfactory.

Mr. PETERS: Is it not true that some of our purchasers do not buy these grades or do not want these grades? Is it correct that their demand is for blended grain comprising several of these grades?

Mr. AINSLIE: I think it is true that overseas buyers do buy different grades and use them in different blends in their milling processes, but they are shipped from Canada as individual grades and stowed separately into vessels at the time of shipment.

Mr. LANGLOIS: Do the flour mills which would use the top grade grain obtain it from the storage terminals? I am thinking of some of the western flour mills. Does it have to go to the grain mills or do the flour mills obtain it from storage terminals in the west?

Mr. AINSLIE: The supplies in Calgary, Medicine Hat, Moose Jaw and such areas will be obtained, for a large part, from country elevators in the contributory area.

Mr. LANGLOIS: It goes directly into the country elevator?

Mr. BAXTER: Directly into the country elevator, yes. They do certainly, within their own limited area and according to wheat board permits, buy direct from the farmer in the immediate and adjacent area. The flour mills are not allowed to buy over wide boundaries, but they can buy direct as agents of the wheat board. They can buy on account of the wheat board.

Mr. LANGLOIS: They buy for the wheat board?

Mr. BAXTER: They buy for the Canadian wheat board. They settle with the farmer at the initial price, and when they move that grain from their elevator bins into their mill they must buy that grain from the wheat board. At that point they buy it at the prevailing price, or under the wheat board flour mill arrangement.

Mr. LANGLOIS: Then this is one of the rare occasions on which a permit is given by the wheat board to do such a thing.

Mr. BAXTER: You mean outside the country elevators? Yes.

Mr. OLSON: As far as the farmer is concerned, is it not true that it makes no difference whether he delivers it to the elevator that is attached to the mill or the delivery point that is attached to the mill, or if he delivers it to a country elevator? As far as the farmer is concerned it is exactly the same as the wheat board, is it not?

Mr. CLANCY: I think something should be made clear. This is all done under the Canadian wheat board. The initial payment is the same whether it is shipped to Fort William or Saskatoon.



Mr. LANGLOIS: I wanted to specify that actually they are the only ones who have a permit issued from the wheat board to do anything like that.

Mr. AINSLIE: That is correct.

Mr. PETERS: In respect of standards of grade how do you arrive at the protein content, and what effect has the protein content on export grades?

Dr. IRVINE: Mr. Chairman, protein is not a grading factor and, accordingly, it is not involved in the setting of standards, and does not have any effect on the export grades.

What we do, however, is, each year when the standards board is about to meet and we have an idea of the standards which will be presented to the committee, we make estimates of the minimum protein likely to be found in each of these grades as they go overseas, and we select these levels, and these become export standards. There is nothing official in this regard. This is a service we provide for people who wish to examine the export standard samples which are sent out all over the world.

Mr. PETERS: Is your protein standard equal across a given area regardless of grade?

Dr. IRVINE: That depends entirely upon what you mean by "protein standard". We do not have a protein standard. If you mean, is the protein content of wheat different in some areas from others, yes.

Mr. PETERS: I was thinking of the protein content in given areas in grades like No. 4 hard, No. 4 Manitoba north.

Dr. IRVINE: That is not necessarily so. This content varies from year to year. In some years, such as the current year with the new crop we have harvested, that wheat was subjected to hot dry conditions during maturity, so thin wheat is the order of the day, and a bushel of wheat is low in weight under these conditions. The lower the bushel weight in dry conditions, the higher the protein. In this particular year we have the situation where the top three or four grades are very much the same in protein, but No. 5 wheat is the highest in protein. This is a most unusual situation. Normally in the past four or five years we have had a situation where there has been a slight decrease in that protein content as the grade goes down, with No. 5 generally considered to be the lowest.

Mr. PETERS: Was the protein content not a factor in the China wheat arrangement? Protein was considered a factor in establishing what grades would be purchased by the Chinese because they did not want a high protein content Canadian No. 1 wheat; is that right?

Dr. IRVINE: I am not speaking as an expert in this regard, but I would say that protein had nothing to do with the Chinese wheat deal. The Chinese merely wished to buy calories, and when you wish to buy calories you buy the cheapest form of wheat you can buy.

Mr. OLSON: In respect of the Chinese wheat deal, you say it was not a factor arriving at grades and I am aware of that. However, having regard to orders particularly for flour which is milled before it goes overseas, the protein content is a very important consideration, is it not?

Dr. IRVINE: This has been the case in the past, but I would not say it has been a particularly important factor. What has happened simply is that flour salesmen have gone out into the underdeveloped areas of the world, where they do not have flour mills, in order to sell flour. One of the selling features that Canadian mills have been able to use, and particularly in regard to those mills in western Canada, is the high protein content of the wheat. This has been the result of their having more high protein content wheat than they know what to do with, particularly in the last few years when the average protein content was high. Under these circumstances the salesmen will go out

and sell on that basis. They suggest that we have very high protein weight, but in the United States their salesmen will go out to sell flour in the same markets, using the same feature, stating they have even higher protein content wheat. This is mostly sales talk and it does impress some individuals.

It is true in these countries that they need high protein wheat, but they do not need wheat with that high content of protein. This is really a sales gimmick which has been used in the past ten years. However, this does back-fire on these individuals on occasion. When we have a soft light protein year the mills can no longer meet these specifications.

Mr. OLSON: Does the protein content change the baking qualities of flour which are required by baking industry?

Dr. IRVINE: That is true. One of the things, for instance, that does happen when we do have a difference in protein content between our grades of wheat, as we have had in the past few years, is that No. 1 has normally been highest in protein with less variation in cargo, and in markets where they are now building flour mills they primarily import high protein flour, and wish to get as high a protein content from Canada as they can, on this basis they will pay the price for No. 1 simply to get that protein level. In other markets this protein content is not that important, while some other factor will be more important. This year we have No. 5 wheat with very high protein content. This would be useful to some individuals, perhaps, but because it is No. 5 wheat it will not mill at all properly. It would have the protein qualities, but not milling qualities.

Mr. PETERS: When the standards are set what other factors besides grade are taken into consideration? Are there other factors taken into account, such as Mr. Olson has suggested in respect of the milling of flour, in the establishment of standards; some individuals are interested in milling factors while others are interested in glucose content, perhaps. Are these factors taken into consideration in the establishment of standards?

Dr. IRVINE: One of the important features of Canadian grain sold on the overseas market is the fact that it has a high uniform quality from one cargo to another cargo. This is a result of the factors involved in our grading system. The grading system takes care of all these things. For instance, one of the cornerstones of our quality is the fact that in our grading system we have specified that wheat going into top grades must be equal in quality to marquis.

The CHAIRMAN: Thank you, Dr. Irvine.

I should like to draw to the attention of committee members that it is now quarter to six and we still have quite a bit of work ahead of us in regard to this report. I should like to hear your comment as to adjourning and reconvening before we commence consideration of another paragraph.

Mr. FORBES: Mr. Chairman, I must leave very quickly. I would suggest that we adjourn.

Mr. RAPP: I would suggest that we adjourn now and come back at eight o'clock.

Mr. CLANCY: You are very ambitious. Where were you this morning at 9:30?

Mr. RAPP: I was here but you were not.

The House of Commons sits at 7:30 this evening, and I feel we might just as well come down here at 7:30.

The CHAIRMAN: I think we have completed the heaviest part of this report, and if we are able to let these gentlemen get away tonight or tomorrow morning it would be very helpful to them, I am sure. Is it the wish of this committee to reconvene at 7:30?

Mr. PETERS: Mr. Chairman, we will be dealing with estimates tonight in the House of Commons.

Mr. RAPP: What estimates are being considered?

Mr. PETERS: The estimates of the Department of National Health and Welfare.

Mr. OSLON: Mr. Chairman, one other committee is meeting tonight.

The CHAIRMAN: I think we should attempt to complete our consideration of this report tonight.

Mr. RAPP: I agree with that suggestion, Mr. Chairman.

The CHAIRMAN: I should like to have a decision in this regard before we adjourn.

Mr. OLSON: Mr. Chairman, I suggest that we accept the rest of the report as being read and then ask questions in regard to them.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, perhaps we could sit for another 15 or 20 minutes and complete our discussions.

Mr. SOUTHAM: Mr. Chairman, we have brought these commissioners from some distance. They have put a great deal of effort into this report and I think the majority of the members of this committee would like them to cover it thoroughly.

The CHAIRMAN: I agree with your suggestion.

Mr. SOUTHAM: I am not adverse to coming back at eight o'clock.

Mr. CLANCY: Mr. Chairman, I suggest we meet tomorrow morning at nine o'clock.

The CHAIRMAN: There are several other committees meeting on Friday morning.

Mr. MULLALLY: Mr. Chairman, I suggest we return at eight o'clock.

Mr. SMALLWOOD: Perhaps if we accepted the rest of the report as being read we could clean-up our discussions in half an hour.

The CHAIRMAN: Is it the wish of this committee that we continue for a half an hour?

Mr. OLSON: Let us accept the rest of this report as read.

The CHAIRMAN: Is it agreed that we accept the report as read? I think we have some concern regarding a quorum because some hon. members have indicated they may have to leave shortly.

Mr. ASSELIN (*Richmond-Wolfe*): I see a quorum, Mr. Chairman.

The CHAIRMAN: Mr. MacLeod would you read the next paragraph.

Mr. MULLALLY: Mr. Chairman, perhaps we could consider the paragraphs as being read and just ask questions.

The CHAIRMAN: Is it agreed that we take the rest of the report as read?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Then we shall now direct questions to the paragraph headed "Inspection of Grain—Report on 1962 Crops".

Mr. MACLEOD:

#### Inspection of Grain—Report on 1962 Crops

In the spring of 1962 soil moisture reserves through most of western Canada were the lowest in many years. Subsequently, rainfall that was erratically distributed through the growing season was substantially above the long time mean over a large part of the grain producing area. Seeding was delayed in some districts by inclement weather; in other areas the soil was so dry that initial germination was very poor and



delayed germination caused some second growth that did not mature before harvest.

Nineteen hundred and sixty-two has produced grain with a wide range in quality, including substantial proportions of low grades. It has been estimated that less than 4 per cent of the red spring wheat will grade No. 1 Manitoba northern and less than 1 per cent of the amber durum crop will grade No. 1 Canada western. All kinds of grain, including oil seeds, suffered similarly; frost damage and weathering account for most of the low grades. The incidence of blackpoint and smudge, which are the result of fungous diseases, is uncommonly high in durum wheat. Ergot is a more serious degrading factor than it has been for several years.

Whereas normally about 40 per cent of the crop of barley produced in western Canada enters the top or malting grades, it has been estimated that only about 20 per cent of the 1962 crops barley is sufficiently high in quality to meet the requirements of domestic and export malting trade.

Frost damage was most severe in central and northern Alberta and in extensive areas of Saskatchewan. The northern areas, particularly in Alberta, experienced extremely difficult harvesting conditions through rain and snow; the eastern part of Manitoba also received extensive damage from weathering, and harvesting was seriously delayed. Substantial quantities of grain will be dried through the winter, in terminal elevators.

The quality and yield of the 1962 rye crop is extremely variable; blackpoint and ergot, diseases to which rye is more susceptible than the other cereals, have caused substantial losses of grade; weathering, including sprouting, have also caused some damage.

Rapeseed, now grown over a large part of the three prairie provinces, suffered severe damage from frost in many districts. Domestic mustard seed, also dispersed through many districts in all three prairie provinces, was more severely damaged in 1962 than in any previous year of large-scale production; whereas most domestic mustard seed is sold on the basis of No. 1 C.W. grade, the bulk of the 1962 crop grades No. 2 or No. 3; this lower quality is detrimental to sales in some markets.

Flaxseed was damaged by frost and excessive rain, and even by flooding of fields in some areas; quality of this crop ranges from very good to very poor.

The quality of field peas produced in western Canada is unusually poor in 1962; the main defects are frost damage that have caused high percentages of green kernels, and adhered soil. Processors are having difficulty to meet the export demand for high quality peas.

The CHAIRMAN: If we have no questions in regard to this paragraph we will deal with the paragraph headed: "Research Laboratory".

Mr. MACLEOD:

#### Research Laboratory

Major changes occurred in the laboratory staff; Dr. Anderson was appointed director of the research station, Canada Department of Agriculture, Winnipeg, but continued to act as director of the board's Laboratory pending appointment of his successor. Mr. Aitken, who had served under all three chief chemists of the board, retired, and Dr. Bushuk resigned his position to become director of research, Ogilvie Flour Mills Company Limited, Montreal.

The laboratory studied the quality of the 1962 crops and of grain marketed in 1961-62. Detailed information was reported to the committee

on western grain standards and was published in maps, crop bulletins and cargo bulletins. As in previous years, important parts of principal bulletins were also published in French, German, Spanish and Japanese.

The laboratory worked closely with the inspection branch and provided information on studies of individual cargoes, supervision of moisture testing, tests for possible contamination of grain with mercurial fungicides, and other work. Studies on new varieties continued as usual. A world wide collaborative study initiated in 1961 showed that two new wheat varieties developed by the Canada Department of Agriculture were of satisfactory quality; one of these was developed for the saw-fly area and has been released under the name Cypress.

Technical advice and laboratory service has been given to trade commissioners and other government agencies and grain companies. In addition, the laboratory continued the training of technical officers for the technical services and market research department of the Canadian wheat board. Two of these officers have completed several successful missions abroad.

Research projects included the study of wheat quality from the point of view of its disulfide-sulphydryl chemistry. The various projects completed during the year have been published in 11 papers appearing in appropriate scientific journals.

The laboratory continued active participation in the work of the American association of cereal chemists and other organizations. During the year, Dr. Anderson attended the meetings of the international association for cereal chemistry in Vienna and also visited a number of laboratories in England. Dr. Irvine's work for the wheat board took him to the Far and Near East, India, Nigeria, as well as Europe. The laboratory was also visited by missions and visitors from many parts of the world.

A summarized account of the work undertaken by the laboratory is given in Appedix F, and more complete detailed information will be published in the laboratory's annual report for 1962.

The CHAIRMAN: Are there any questions in this regard?

We will then move to the next paragraph, "Weighing of Grain"

Mr. MACLEOD:

#### Weighing of Grain

The staff of the board's weighing branch provided usual weighing services at licensed elevators and investigated complaints relating to reports of excessive outturn shortages on carlot and cargo shipments. The board's scale inspectors carried out periodic tests and inspections of scales at licensed terminal and eastern elevators, and made special inspections when such were considered necessary. Further detailed information in regard to the work of this branch is given in Appendix E.

The CHAIRMAN: Are there any questions in regard to this paragraph?

We will then move to the next paragraph, "Weighover of Stocks, Terminal and Eastern Elevators".

Mr. MACLEOD:

#### Weighover of Stocks, Terminal and Eastern Elevators

In accordance with the provisions of sections 139 and 140 of the Canada Grain Act, 15 terminal and 22 eastern elevators were weighed over during the 1961-62 crop year by members of the board's weighing and inspection staffs.

Deferments into the following crop year were made at 14 terminal elevators at the Lakehead, 17 terminal elevators at other points, and at 9 eastern elevators. The board found it necessary to grant these deferments to avoid delaying the handling and loading of grain required to meet export orders. However, it was possible to carry out nine of these deferred weighovers before the end of December, 1962.

Tables C-12 to C-14 of Appendix C contain the results of weighovers carried out in the 1961-62 crop year.

The CHAIRMAN: Are there any questions in this regard?

We will move to the section on "Entomological Investigations".

Mr. MACLEOD:

#### Entomological Investigations

To safeguard Canadian grain in storage from losses by insects, the regular program of inspection of terminal elevator premises and grain stocks was continued in 1962. Practically all of the terminal elevators were visited at least once during the year. Those in the St. Lawrence area, the Bayport region and in the Vancouver area were inspected on two occasions. Discussions were held with management at the time of each inspection. When necessary, instructions were issued regarding control measures.

For the most part, the terminals were essentially free from insect pests and only a limited amount of control work was necessary. The most serious problem occurred at one of the elevators at Fort William which had been out of operation for several months. General clean-up and spraying was sufficient to restore it to satisfactory condition. Special attention has been given to the terminals on the Pacific coast because of the large amounts of grain being shipped to fulfil the contracts with China.

Considerable amounts of United States grain are being shipped through the St. Lawrence seaway for export through Canadian elevators. Because of the shortage of certain feed grains in eastern Canada, larger than usual amounts of United States corn have been imported for domestic use. Some time has been spent throughout the season in checking on this grain in storage in Canadian elevators.

The regular inspection of all of the Canadian government elevators, with the exception of the one at Prince Rupert, was carried out in 1962. In some cases the older stocks have been shipped from the interior terminals. Large representative samples were drawn from the bottom of all the storage bins and examined for grain pests. In general, these elevators were freer from pests than in 1961.

The usual analysis of carlots of grain found to be infested with grain insects at the time of unload at terminal elevators has been made. This year the total number of cars was 32 as opposed to 203 in 1961. Many of the cars in this category in 1961 resulted from the clean-up of country annexes.

Close contact has been maintained with the various grain inspection offices of the board by regular visits to them during the season. Insect control was discussed with staff members on these occasions.

Preparation of an illustrated section dealing with the description, life history, and habits of the various grain-infesting pests for the Grain Inspector's Manual is now in progress.

The board's entomologist, Dr. H. E. Gray, has continued to maintain close contact with the grain and milling trade. He attended the annual convention of the association of operative millers in Denver, Colorado, in May, 1962.



Close liaison has been maintained throughout the year with the plant protection division and the Canadian wheat board of the Department of Agriculture on matters relating to grain storage and grain-infesting insects.

The CHAIRMAN: Are there any questions?

We will move to the next paragraph, "Terminal and Eastern Complaints".

Mr. MACLEOD:

#### Terminal and Eastern Complaints

During 1962, the board directed the investigation of 56 complaints relating to reports of excessive outturn shortages on vessels shipments to eastern Canadian points.

Included were 47 on shipments from Fort William and Port Arthur, 7 on shipments from eastern transfer ports, and 2 on shipments from U.S.A. ports.

These complaints were disposed of as follows:

|   |    |
|---|----|
| No cause of reported discrepancy found..... | 33 |
| No grounds for complaint.....               | 1  |
| Settlement effected.....                    | 9  |
| Complaint withdrawn.....                    | 1  |
| Not yet disposed of.....                    | 12 |
| TOTAL.....                                  | 56 |

Mr. MULLALLY: Mr. Chairman, I wonder whether we could have a brief report as to the nature of these complaints?

Mr. MACLEOD: These are complaints in respect of vessels leaving the lake-head unloading at eastern elevators where there is shortage in the out-turn weight. We receive the complaint and, as our chief commissioner has mentioned we have weighmen in Montreal conducting these investigations, checking the situation and reporting back to the board.

Mr. PETERS: I note there are twelve complaints which have not been disposed of as yet, and I am wondering how much of delay is occasioned when a complaint is laid by a buyer?

Mr. MACLEOD: The length of the delay varies, Mr. Chairman. In some cases the grain is binned and the elevator company is not in a position to reweigh until such time as there is space in the elevator for turning. We may have to wait a month, and sometimes as long as three months, until that company ships out enough grain so that the questioned stock can be weighed again and checked for a shortage.

Mr. ASSELIN (*Richmond-Wolfe*): Have you any idea how many complaints would come from eastern Canada?

Mr. MACLEOD: There were 49 complaints in respect of ships from Port Arthur, seven from eastern transfer points and two in respect of shipments from United States points.

The CHAIRMAN: We will now move to the next paragraph, "Complaints on Export Shipments".

Mr. MACLEOD:

#### Complaints on Export Shipments

A total of 34 complaints relating to shipments to overseas destinations were dealt with by the board and its officials during 1962. Of this number, 22 concerned outturn weights reported from overseas, and 12 referred to some aspect of the quality of grain cargoes.

A chart of the board's organization, including further details of staff location, follows this report.

### Expenditure and Revenue

Total expenditure and accrued revenue of the board, exclusive of the Canadian government elevators, for the fiscal year 1961-62 compared with 1960-61 was as follows:

|                  | 1961-62        | 1960-61        |
|------------------|----------------|----------------|
| Expenditure..... | \$4,885,262.36 | \$4,737,517.50 |
| Revenue.....     | 3,001,112.25   | 2,515,915.76   |

Expenditure for the nine months of the 1962-63 fiscal year to December 31, 1962, totalled \$3,503,397 as against \$3,671,359 for the comparable period during 1961-62.

Cash revenue for the same nine-month period amounted to \$1,745,720 as compared with \$2,226,156 in the previous year.

Mr. PETERS: In this case, how do you check the complaints overseas? Do we have commissioners in Europe who handle these complaints, or do you have arrangements with other countries?

Mr. HAMILTON: At the present time our chief grain inspector is in Europe. The reason for his visit is to investigate some of the complaints we have received, mostly concerning ergot and durum. While he was in Europe we thought it would be advisable for him to slip into Russia. We have received one or two complaints of an informal nature which the Russians have brought to our attention to the fact that there was a couple of weed seeds in the wheat.

Mr. PETERS: In respect of a shortage, for example in a shipment to Albania, what arrangements are made for adjustments?

Mr. HAMILTON: If there is a shortage the insurance companies usually deal with adjustments.

Mr. OLSON: Your responsibilities ceases then when the vessel is loaded here in respect of any shortages which may develop later?

Mr. PETERS: Before we leave this subject, it appears on occasion that in addition to the loading inspectors and sample loadings of wheat the purchasing company has an agent who also makes a check. In other words, if Russia bought a quantity of wheat would she have an agent in Canada responsible for signing and acceptance in respect of a particular cargo?

Mr. BAXTER: At the present time I think there are three people from Russia in Canada, one at the west coast, one in Winnipeg who has an office near the Canadian wheat board and another one in eastern Canada. These people are concerned with the contracts which they have signed with the Canadian wheat board particularly in regard to arrangements for the delivery of the grain. These gentlemen may at their own pleasure inspect any of our facilities and examine our operation at the coast loading ports where the grain is being loaded into Russian vessels. They may see our samples and inspect our work.

Mr. HAMILTON: Canadian grain is sold on what we call a certificate final, a piece of paper. This is accepted all over the world. Other countries also receive samples of these export standards which we make up each year. We mail these all over the world to anyone who is interested in buying our grain.

The CHAIRMAN: May we now move to the paragraph headed, "Statistics".

## Statistics

Statistics relating to Canadian grain movement collected and compiled by the board's statistics branch are presented in Appendix C of this report.

The CHAIRMAN: Are there any questions?

We shall move to the paragraph headed "Information Program".

## Information Program

The board's mobile grain grading exhibit was changed somewhat to include a long-term protein map together with large pictures illustrating the difference between bread baked from high quality gluten typical of Canadian Red Spring wheat and that made from poor quality gluten from European soft wheat. A working model of a laboratory gluten washer was used to illustrate gluten quality. Basically, however, the Exhibit continued to feature the main grades of grain together with pictures and posters illustrating the work of the Board.

This exhibit was staffed by two of the board's grain inspectors and was on display at 17 agricultural fairs, one field day, and at the Grain Exchange Building, Winnipeg. One of the board's assistant commissioners was in attendance at most of the fairs.

Two small exhibits were prepared for display at indoor events. The first one featured malting barley and was shown at the Calgary and Thorsby seed fairs in Alberta, and at the Manitoba winter fair at Brandon. The other one featured the different grades of wheat together with large photos showing the difference in the loaves of bread baked from No. 2 Northern wheat and from frozen No. 5 Wheat. This exhibit was taken to the Saskatchewan Farmers' Union meeting at Saskatoon in December, and will be shown at some, Winter seed fairs early in 1963.

In addition to the above, six barley harvesting field Days, arranged by a malting company, were attended by a board grain inspector, and posters and barley grades were displayed.

The board's offices were visited by a number of officials of the foreign trade service of the Department of Trade and Commerce, and by other individuals and groups from overseas and the United States who wished to discuss matters related to the grain trade and obtain first-hand information about the functions and services of the board. Other visitors during the year included groups of country elevator agents and agriculture students.

In addition to discussions with members and officials of the board, arrangements were made for visitors to tour the inspection branch, the research laboratory and other branches as desired; also to view the colour motion picture film "grain handling in Canada."

Members of the board and senior officials again accepted a number of invitations to address annual meetings of producer organizations and to discuss topics of current interest related to the board's work.

Receipts of grain during the crop year 1961-62 at the Canadian government terminal elevators operated by the board at Moose Jaw, Saskatoon, Calgary, Edmonton, Lethbridge and Prince Rupert, were 17.9 million bushels, compared with 19.9 millions in the previous crop year. Total shipments were 20.1 millions, a decrease of approximately 1.0 million bushels from the corresponding figure for 1960-61.

In the fiscal year 1961-62, revenues exceeded expenditures by the amount of \$423,766.



Mr. RAPP: Mr. Chairman, the members of this board are very familiar with the provisions for railroad abandonment on the prairies. I note here in the report that the revenues exceeded the expenditures during the last crop year, 1961-1962. Would it be in the interests of grain farmers in these areas for the government to expand the program of government elevators or terminals in order to help overcome the hardships which farmers will face when the railroad abandonments are effected? What is the opinion of the board in this regard.

Mr. BAXTER: The grain companies themselves are taking a very serious look at the whole problem of railroad abandonment, considering the necessary adjustments to their facilities which will have to follow as certain branch lines are abandoned. I understand they have full intention to expand facilities on remaining lines in order to meet the need in respect of the flow of western grain and the provision of storage facilities.

They have found the operations reasonably profitable in the past, although not excessively so and they are in the business of making money. Their prime purpose concerns only those areas in which they can make money, and I do not think they will lose any opportunity of expanding if a need is apparent.

Mr. RAPP: My interest is in those areas where it is not economical for these companies to build these elevators, and this is exactly the areas where I think the government should step in and provide these terminals before the abandonment of the lines takes place.

Mr. HAMILTON: Mr. Chairman, this situation presents a problem, because when the government has a terminal on a line in the country where there are other elevators, it is in order to back those elevators up, but we cannot get enough grain in our government elevators to satisfy us. Depending upon the whims of the wheat Board, if they want to put grain into our interior terminals we get the grain, but if they do not want to put it in we do not get the grain. Unless you have a company line of elevators to back up your terminal you are at someone else's mercy.

Mr. RAPP: The situation is going to be worse when the abandonments take place. I know from past experience that private grain companies, including the wheat pools, will not build elevators in areas when it is not to their advantage, and it is the farmers in these areas who suffer.

The CHAIRMAN: We shall move to the next paragraph, "Lake Freight Rates".

#### Lake Freight Rates

On March 10, 1959, under the provisions of Section 5 of the Inland Water Freight Rates Act, the board issued order No. 21 which revoked order No. 20 of September 28, 1954. This had the effect of cancelling maximum freight rates established by the board in order No. 20 for the carriage of grain from Fort William or Port Arthur to other specified ports in eastern Canada.

The average rates charged during the 1962 season of navigation are given in Table C-11 of Appendix C.

Mr. WATSON (*Assiniboia*): Just to clear up this situation, do I understand correctly that no one has any control over the Canadian wheat board in respect of grain going into government terminal elevators?

Mr. HAMILTON: There is nothing we can do to convince the wheat board that they should put the grain into our government elevators. The decision to do so is strictly up to them.

Mr. WATSON (*Assiniboia*): On the other hand this wheat will be put in the grain companies elevators or terminals?

Mr. HAMILTON: Yes. They just use our terminals to tidy up the grain, dry it, and for emergency purposes. This is how they use our terminal at Saskatoon for Churchill. Unless they are required to use these terminals they avoid doing so because of the additional charge.

Mr. WATSON (*Assiniboia*): At our government terminals do we have the same facilities as the grain companies for loading ships?

Mr. HAMILTON: Yes.

Mr. BAXTER: Mr. Chairman, there are five government elevators on the prairies and, for obvious reasons, they cannot be export elevators. Consequently, any grain movement into them must again be re-loaded into a box car and moved out to export facilities at the west coast or the lakehead.

Mr. WATSON (*Assiniboia*): From a government standpoint it is wrong to have government elevators inland, is this true?

Mr. BAXTER: That has been a point of contention for many years dating back to the origin of the Canadian government elevator system on the prairies.

Mr. HAMILTON: Certainly in a year where there is a lot of tough damp grain these interior terminal elevators would have themselves a good year.

Mr. CLANCY: Mr. Chairman, let us refer to a specific point. How much use is being made of the white elephant elevator at Prescott? The last time I saw it it was cracked from one end to the other.

Mr. HAMILTON: That is a national harbours board elevator.

Mr. SMALLWOOD: Mr. Chairman, I do not wish to hold up this committee, but as we go over these paragraphs I wonder whether one of the witnesses could indicate the total capacity of government grain elevators at Moose Jaw, Saskatoon, Calgary, Lethbridge, and Prince Rupert?

The CHAIRMAN: I am informed that we will have that answer in a moment.

Mr. MACLEOD: We can give you the answer now, Mr. Chairman. The capacities of these elevators are as follows: Moose Jaw, 5,500,000 bushels; Saskatoon, 5,500,000 bushels; Calgary, 2,500,000 bushels; Lethbridge, 1.25 million bushels; Prince Rupert, 1.25 million bushels. These figures appear at page 65 of the report, Mr. Chairman.

The CHAIRMAN: May we proceed to the next paragraph, "Prairie Farm Assistance Act"?

### Prairie Farm Assistance Act

Under provisions of Section 11 of the Prairie Farm Assistance Act, the board continued to collect the one per cent levy on grain purchased by licensees under the Canada Grain Act. During the crop year 1961-62, the amount collected was \$6,839,499.00, a decrease of \$101,595.00 from collections recorded for the previous crop year. Collections by the board since the inception of the act (August 1, 1939) to July 31, 1962, total \$134,092,707.00.

Mr. PETERS: Mr. Chairman, I should like to revert to the paragraph on lake freight rates. I have often heard the argument presented that in the winter time, particularly, in the Quebec area where deep sea ships are loaded, grain can be stored in the ships themselves. Are there special rates in this regard, and do these ships tie up in position for deep sea loading during the off season when the St. Lawrence system is closed? Does such a practice exist, and does it assist in spring shipping?

Mr. BAXTER: During the past year, and this will happen during the current year, a substantial portion of the lake grain fleet is tied up at eastern elevator ports with full cargoes. There is a special rate charged in this regard. There is a winter storage rate charged in addition to the actual carriage rate. The grain may be used for domestic purposes, and it may be there available for export

shipments. Particularly at the bay ports cargoes will come in, if there is an anticipated heavy movement out of the Halifax and Saint Johns area. There will be a substantial winter storage tonnage tied up there which will be moved into the elevators during February and March and shipped down to the sea-board.

Mr. CLANCY: I am interested in table C (11) at page 33, the weighted average lake freight rates on Canadian grain from the Lakehead during the navigation season of 1962.

I am rather interested in the fluctuation of rates or the difference in same. Perhaps it could be explained to me why the variance in this. In respect of "other Maritime ports" it says 35.6 cents a bushel; Georgian bay ports, 4 cents. Is that for domestic or transshipment?

Mr. BAXTER: For example, the rate in respect of Georgian bay will be for domestic or export; if it is for domestic purpose it will come out of the Georgian bay elevators into the western Ontario area by box car or truck but, if it is for export, it will be railed through. However, it may be stopped on some isolated occasions, for instance, at Montreal, to meet commitments at the opening of navigation. But, the bulk will be railed on to the maritime ports at Halifax and Saint John.

In respect of your reference to the rate of 35 cents at other maritime ports, these ports are not licensed elevators. They are at Shediac and Pointe du Chene where the grain comes off by evacuators or clams. The cost involved there is because the boat is tied up for an excessive period. It is a slow operation and that has to be reflected in the cost of the vessel.

Mr. CLANCY: But all these, in the final analysis, revert to the western farmer.

Mr. BAXTER: Yes.

Mr. CLANCY: In other words, it does not matter where the wheat board sells the grain, if they can transport it for three cents they take advantage of it and if it costs 35 cents the same applies.

Mr. BAXTER: The quote of 3.7 cents for Georgian bay ports, in so far as the export movement is concerned, is only a fraction of the total cost; there is the rail charge from Georgian bay ports through to Halifax and Saint John.

Mr. CLANCY: Why tranship from Georgian bay?

Mr. BAXTER: Availability of space at the winter ports, of course, is a factor. Now, I hope I am not in the wrong area, but the cost of building enough facilities at Halifax and Saint John to handle export shipments which, this year, will be close to 50 million bushels, for a one-time turnover, would completely wipe out everything you might achieve by moving it all by water.

Mr. CLANCY: I just wanted an explanation on these variations. For instance, why do we use Prescott when the St. Lawrence seaway is open?

Mr. BAXTER: The main volume of grain through Prescott will be domestic.

Mr. CLANCY: But yet you can ship another 200 miles down the river for export at 4 cents less. The domestic is getting a bit of a hooking on that. Prescott is 7.124 cents. There is quite a difference there. It has to be unloaded, reloaded or shipped by rail, which is going to cost us twice the amount of money.

Mr. BAXTER: The quantity of grain going into Prescott, which will be transshipped to Montreal or lower ports will be relatively small. They used this transfer movement substantially in the days of the old canalers, when they were the only means of transport that could go beyond Prescott, but today the chief use of Prescott, in operating as a forwarding port, will be in case of



domestic parcels where the big carrier will move past and will have quantities which cannot be handled by the domestic outlet.

Mr. CLANCY: Is there any transshipping out of Prescott today?

Mr. BAXTER: Yes.

Mr. CLANCY: In other words, I will go along with it that it serves eastern Ontario and western Quebec; but as a transshipping point, why is it being used?

Mr. BAXTER: Chiefly for the purpose of transshipping the load through a small carrier that can shuttle back and forth between Prescott and the lower port. Rather than take it all the way up, they can transload it into this boat at that point.

Mr. CLANCY: Is the cost of transloading and transshipping something reflected in that charge?

Mr. BAXTER: Where I quote a figure for Montreal via Prescott, it is.

Mr. CLANCY: Thank you.

Mr. PETERS: How much of the percentage goes to the winter port of Halifax?

Mr. BAXTER: If I remember correctly, last year it was approximately 3.4 million bushels that moved down to Halifax direct, out of a total movement to Halifax of approximately 18 to 20 million bushels. Those are approximate figures.

The CHAIRMAN: May we move on to Prairie Farm Assistance Act.

#### Prairie Farm Assistance Act

Under provisions of section 11 of the Prairie Farm Assistance Act, the board continued to collect the one per cent levy on grain purchased by licensees under the Canada Grain Act. During the crop year 1961-62, the amount collected was \$6,839,499, a decrease of \$101,595 from collections recorded for the previous crop year. Collections by the board since the inception of the act (August 1, 1939) to July 31, 1962, total \$134,092,707.

The CHAIRMAN: Organization and personnel.

#### Organization and Personnel

Mr. G. N. McConnell, chief commissioner, died on November 22, 1962, after six years of service with the board; four years as commissioner and two years as chief commissioner. Mr. F. F. Hamilton, who had served as assistant commissioner at Saskatoon, was appointed chief commissioner.

There were two appointments of assistant commissioners during the year; Mr. R. H. Taylor on August 1 at Regina, and Mr. J. H. Davidson on December 4, replacing Mr. Taylor who was transferred to Saskatoon.

Dr. J. A. Anderson, director of the grain research laboratory since June 1, 1939, left on October 22, 1962, on his appointment as Director of the Winnipeg research station of the Canada Department of Agriculture.

Mr. D. E. Ross, chairman of the Winnipeg grain appeal tribunal, retired on December 4, 1962. Mr. J. L. A. Doray, Chairman at Calgary, was transferred to Winnipeg, and the Calgary tribunal was abolished.

There were several changes in senior personnel of the inspection branch. Mr. P. Fraser, assistant chief inspector, retired on April 30, 1962, after 42 years of service. Mr. M. M. Ainslie, grain inspector-in-charge

at Montreal, succeeded Mr. Fraser. Mr. G. T. Killeen replaced Mr. Ainslie. Mr. F. L. Varley retired on August 10, 1962, and was succeeded as grain inspector-in-charge at Winnipeg, by Mr. W. Storrie.

As at December 31, 1962, the board's staff totalled 866 as compared with 903 at the end of the previous year. The staff of the Canadian government elevators numbered 199, a decrease of 30 from the previous year.

A chart of the board's organization, including further details of staff location, follows this report.

Mr. LANGLOIS: I see in Appendix A on page 19 the personnel of the committee on western grain standards as at December 31, 1962. Since we have all this talk about biculturalism, I do not see any name there which would appear to be French.

An hon. MEMBER: There is in Montreal.

Mr. LANGLOIS: Is there anyone who is French among the top executive at the central office?

Mr. MACLEOD: Our headquarters are in Winnipeg and several members of our staff are bilingual.

Mr. LANGLOIS: Are these top executive men?

Mr. MACLEOD: They hold senior positions. There are supervisors and there is the assistant to the general manager of the Canadian government elevators, who are bi-lingual.

Mr. LANGLOIS: I see you have a chief commissioner, two commissioners and a secretary. Then you have a personnel officer and you have the executive and the assistant commissioners. In that class have you any of French origin?

Mr. MACLEOD: The chairman of the grain appeal tribunals is bilingual. The assistant to the general manager of the government elevators is bilingual.

Mr. LANGLOIS: You have 21 top men and you have no Frenchmen in that category?

Mr. SMALLWOOD: This is nothing but childishness. It is not pertinent to our terms of reference. It is childish.

Mr. LANGLOIS: It would be helpful if we were to have a little politeness on the part of our English friends. This does not necessarily mean that I am being one-sided or narrow minded; I am asking a straight question and I expect a decent answer without comments from some of the other members here who seem to be irritated by the question. I see no reason why my question should give rise to irritation on the part of some members.

The CHAIRMAN: Mr. Langlois, I think your question with regard to the personnel of the board of the grain commissioners is quite in order. However, these gentlemen have no authority for hiring and I think the question with regard to the senior officers is out of order. These gentlemen do not appoint themselves nor do they appoint men to senior positions. I think your question with regard to the employees has been answered. Are you satisfied?

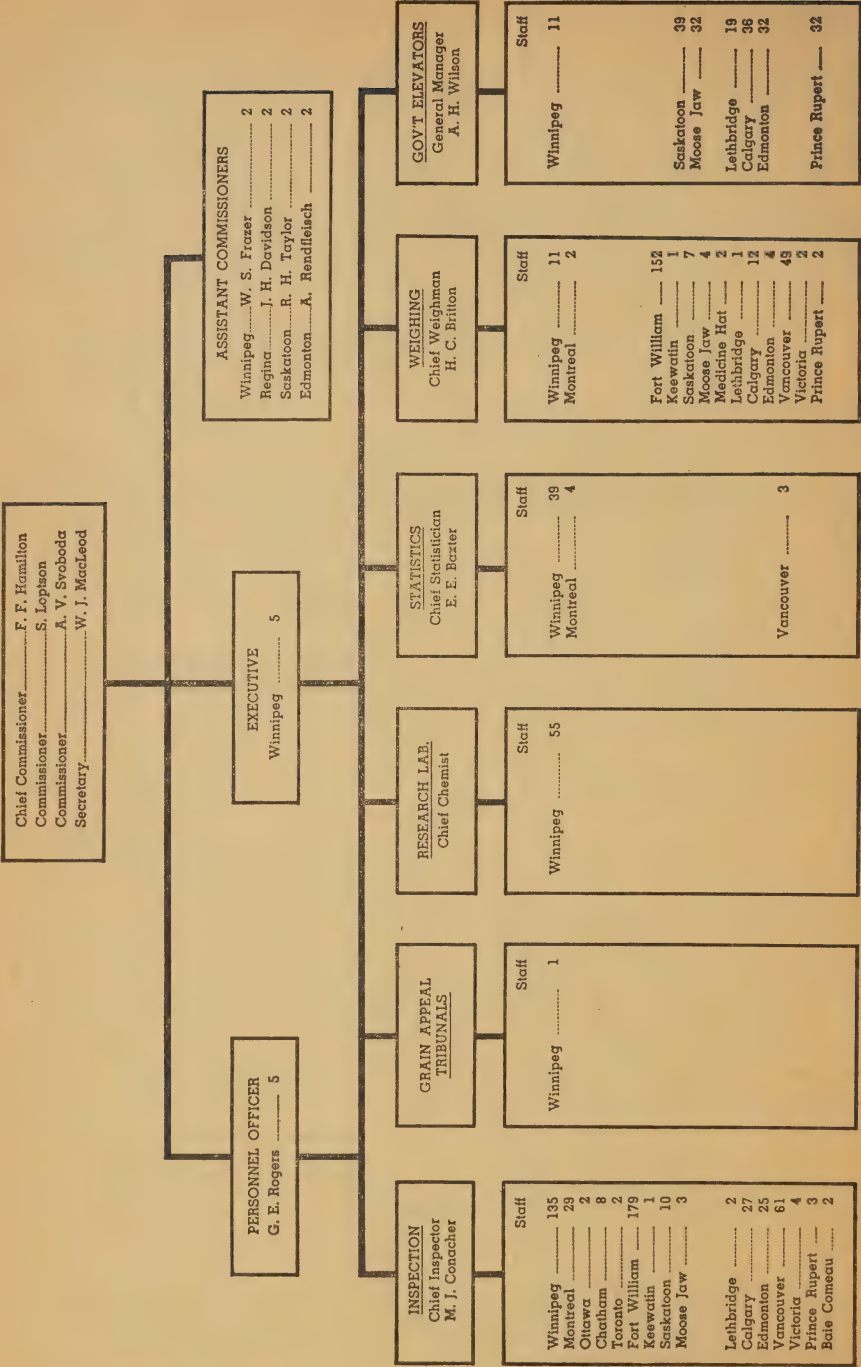
Mr. LANGLOIS: So far as the employees hired by the commission are concerned, that is all right. I know the top positions are nominations. Among the nominees, have you any of French origin? That is all I want to know. I am not blaming anyone.

The CHAIRMAN: With all respect, I have given an indication that my opinion is that the question is not in order because these gentlemen have no authority for appointing the top executive of this board.

Mr. LANGLOIS: If you rule that out of order, Mr. Chairman, I will agree with you. That is all I want to know.

The CHAIRMAN: May we move to expenditure and revenue.

BOARD OF GRAIN COMMISSIONERS FOR CANADA





Mr. RAPP: Let us take this as read.

Mr. OLSON: I have one or two questions I would like to ask.

Are there any elevators located in Canada which handle United States grain exclusively?

Mr. HAMILTON: The answer is no, Mr. Chairman.

Mr. PETERS: There was an insinuation earlier that one of the reasons for which there appears to be a preference for export grain in elevators, particularly terminal elevators, over domestic grain was the fact that export grain usually has an average lifetime in the elevator of probably 4, 5 or 6 months; whereas domestic grain would be therefor a much shorter duration, and therefore there would be a difference in the return to the elevator. This, of course, would be reflected in the domestic versus export revenue. Can the board give an indication of how much this would be, or what the average would be of the extra charge in terms of per bushel.

Mr. BAXTER: The grain in eastern elevators earns a cent a month in storage. If a million bushels go in to a particular elevator at the close of navigation and it is all shipped out by the end of January, the elevator will earn storage revenue on that only for the months of December and January. The million bushels of domestic grain put in there at the close of the navigation season will be there until the opening of navigation in the spring and will earn an additional two to two and a half cents per bushel over and above what the domestic grain will earn. If I may anticipate your further point in that, sir, the Canadian wheat board, as I pointed out earlier, is taking very definite steps to make certain that it does not put export grain into Montreal and into Quebec in particular to the exclusion of domestic grain. The elevator will therefore have to take the domestic grain.

Mr. PETERS: Because this is a factor in the charge that is being made that there is a shortage of domestic grain in eastern Canada, if a company wished to buy domestic grain after, we will say, January, when you indicate that a large amount of the storage will disappear, where does this requirement come from? Is this considered to be a rail shipment always or is there a terminal position along the lakes somewhere that does store for this particular purpose against the later domestic need?

Mr. BAXTER: Presuming that the wheat board—and you will have the opportunity to discuss this with them further,—have had proper representation made to them from the eastern feeders on their requirements, they will have as much down there as possible, and as in past years it appears to be adequate. There is a very small rail movement direct from the lakehead during the winter months.

In answer to the second part of your question, suppose the elevators on the St. Lawrence were depleted, grain could still be moved from the lower lake port elevators whose capacity now is well in excess of their immediate needs.

Mr. HAMILTON: While we are on this expenditure and revenue I would like a little guidance from the committee. As you see, we do not charge enough to break even in the board of grain commissioners, and this is quite a sore point with a lot of people. Every charge we make is eventually reflected back on the producer, and just how far we should go towards making ends meet I am not sure. There is nothing in the act which requires us to charge enough to pay for everything. Certainly our research branch and our statistics branch bring no revenue at all. Our revenue is all derived from inspection and weighing. I am wondering if we could get some facts on this?

Mr. CLANCY: Mr. Chairman, I would like to suggest that maybe we could get a brief outline on how the revenues are derived. I know the figures are there, but just where is the shortage?

Mr. OLSON: Perhaps on the same explanation we could be informed on why there was a decrease from \$2.2 million to \$1.7 million.

Mr. CLANCY: I have another question, Mr. Chairman. If there is a deficit, is it picked up by the federal treasury, or is it charged back against the wheat board?

Mr. MACLEOD: The federal treasury.

The CHAIRMAN: Did you want more information with respect to the breakdown?

Mr. CLANCY: Yes, if it is available.

The CHAIRMAN: The board has indicated that it appears on page 72 and members may look at it there.

Mr. CLANCY: But where does the deficit come in?

Mr. MACLEOD: The deficit is the result of increase in the civil service salaries over the years. We have had no increase in fees since back in 1949 but continuous increases in civil service salaries have created a deficit.

Mr. CLANCY: In other words, you are maintaining yourself up to a point?

Mr. MACLEOD: We were.

Mr. CLANCY: But since you are not, it is a direct charge on the federal treasury? It has not been charged back to the producer? Someone made a statement that it is charged back to the producer.

Mr. MACLEOD: The statement is that if we increased our inspection and weighing fees it would reflect back to the producer.

The CHAIRMAN: Does that conclude the report?

Mr. OLSON: Just one more question. This has been gone over several times but I want to make it quite clear. It relates to the matter of the criteria used by the board of grain commissioners in determining the ratio in allocating space as between grain that is going into the export position, the U.S. grain that comes in and the western Canadian feed grain that comes in. I want this completely clear, what criteria does the board use, because it will be necessary when we have other witnesses before this committee.

Mr. BAXTER: The board meets with the elevator operators and in particular with the Canadian wheat board. As to their particular requirements for the movements of all grains and the allocation of space for the forwarding of shipment of American grain, it is granted only when the Canadian interest has been amply protected. At the same time there is the commitment of the Canadian government to make these facilities available, as part of the international agreements concerning the seaway, to make certain facilities available for this transshipment movement. Now the levels appeared to be adequate in the past to handle this American grain without any serious pressure on the part of the American government to increase the levels that we set.

Mr. OLSON: I have one other point. It has been suggested in this committee that some of the terminal elevator owners and operators along the seaboard in the lower end of the St. Lawrence seaway would prefer to put grain for export into their storage space because they could collect a higher level of storage by reason of holding this volume longer than by putting in feed grain. As far as you are concerned, the allocation of this space is determined by the request and requirements that are presented to you by the wheat board and the terminal elevators.

Mr. BAXTER: The reference there to the allocation of space was only in respect of the movement of this U.S. grain for transfer and export. Beyond that the provisions of section 134 of the Canada Grain Act are that the companies shall receive and take in order the grain, as it is presented to them. Now there are certain exemptions granted to ports in which a variation from that does not interfere with the movement whatsoever. But beyond these particular areas that is a specific requirement.



Mr. HAMILTON: I answered that with a no when Mr. Olson asked if there was any elevator company in Canada which was used exclusively for American grain. At a place like Baie Comeau which was built with American money, the arrangement is for 40 per cent of the space to be kept for use of anything they wish to put there, but 60 per cent must be reserved for the use of Canadian grain.

Mr. OLSON: This would be required to be licensed under the Grain Act?

Mr. HAMILTON: Yes, and the only restriction we place on elevators in Montreal is that they keep the amount of American grain down to a certain figure.

Mr. CLANCY: I thought Mr. Olson was trying to bring out the fact that there might be a difference in the storage charged for grain for export, and for grain for domestic use. I think I am right in saying that the same price is charged for storage per bushel per day, and that if there is anything coming back, it comes back to the Canadian wheat board. I am speaking as a westerner, and the western farmer gets the advantage of it. There is no differential and the same price per day is charged to everybody.

If we can get away with it and save a few days, it goes back into the pool and goes out in the form of participation payments, and I am all for it. But let us save some of these questions for the wheat board.

Mr. OLSON: My point was that there is a tendency for these terminal elevators to request a greater proportion of this storage to be used for export grain because, if they get it in there, it will be something on which they can collect storage throughout the whole season; but if they put in seed grain, it may soon be gone and they do not collect storage on it.

Dr. IRVINE: The board of grain commissioners has no jurisdiction whatsoever over wheat grown for domestic consumption which is going into eastern elevators, or grain for overseas. The only authority we have is in allocating a certain amount of space in eastern elevators for American grain. We have no allocation for Canadian grain going down whether it be for export or for domestic use.

Mr. PETERS: Did a previous witness not say there was a stipulation, that it was a first come and first served basis, and that you pleased the first come and first serve requirement that is in the act?

The CHAIRMAN: I think that was evidence given previously.

Mr. CLANCY: I move that we adjourn.

Mr. LANGLOIS: Is there provision that there be sufficient space kept for domestic users before export users? Do you usually keep sufficient space for the domestic users of feed grain, and then consider the exporter?

The CHAIRMAN: With great respect I suggest that question has been answered. Whether the space is for domestic or export grain the grain must be taken into the elevator on a first come first served basis.

Shall we adopt the report?

Some Hon. MEMBERS: Agreed.

Mr. SOUTHAM: Mr. Chairman, I think I am expressing the sentiments of all members of this committee when I say we have appreciated very much the presence of our board of grain commissioners and their experts, and their very co-operative and enlightening testimony given in answer to our questions. I think their evidence has been very helpful, and these gentlemen should be commended for the very able way they have handled this report today.

The CHAIRMAN: Gentlemen, before we adjourn I would like to suggest that if anyone feels that a certain organization should be notified of our subsequent meetings, they may give the names to our Clerk, and as we proceed he will send notices to these various organizations.

Thank you.



## APPENDIX (1)

Crop Year  
1963-64  
(5th week)

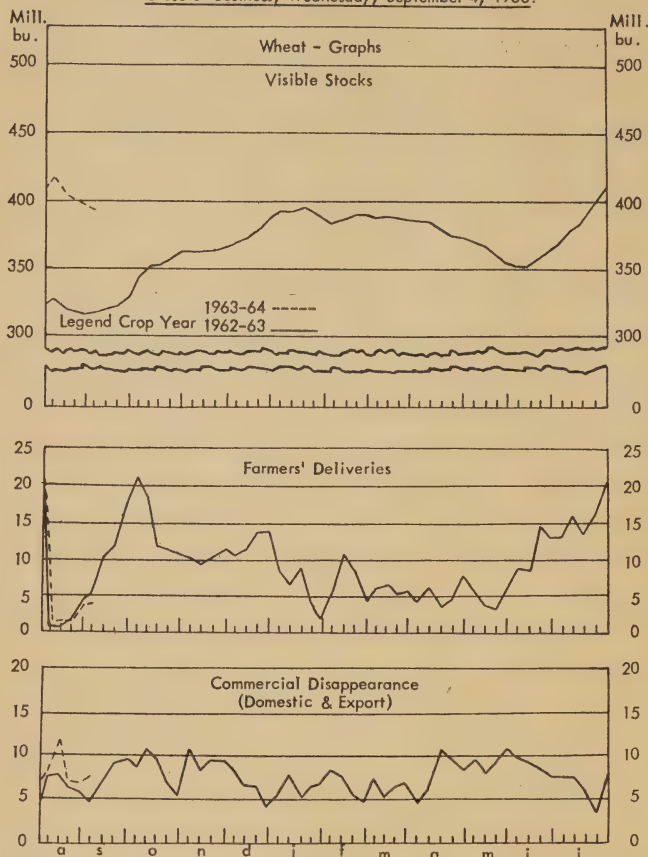
## BOARD OF GRAIN COMMISSIONERS FOR CANADA

## STATISTICS BRANCH

## CANADIAN GRAIN POSITION

Close of Business, Wednesday, September 4, 1963.

420.3



Visible supplies of Canadian wheat declined 3.5 millions during the past seven days and at the close of business September 4, 1963 amounted to 394.5 million bushels. This represents an increase of some 77 million bushels above the comparable 1962 total. Primary wheat marketings were approximately 4 million bushels while the commercial disappearance (domestic and export) figure was 7.4 million bushels.

Commercial holdings of oats (58.1 millions), barley (58.3 millions), rye (5.3 millions) and flaxseed (2.9 millions) all reflect increases over the previous week's figures. Overseas clearances included .5 millions of oats, .1 millions of barley and .1 millions of flaxseed.

Country elevator stocks of the five principal grains declined some 2 millions last week and now total 290.8 million bushels. A breakdown of this total (1962 figures in brackets) indicates the following comparison: wheat 209.4 (139.4), oats 39.0 (11.7), barley 39.3 (15.9), rye 1.6 (2.0) and flaxseed 1.5 (1.0), all in millions of bushels.

Lakehead stocks, all grains, continued to decline during the period under review and now total 77.7 million bushels.

Rapeseed Handlings—Crop Year 1962-63

Marketings of Canadian rapeseed during the 1962-63 crop year amounted to 5.7 million bushels, a decline of more than 4 millions from the previous year's figure. Overseas clearances totalling 5.7 million bushels reflect a decline of some 1.2 millions from the 1961-62 figure. Domestic usage of 1.6 million bushels indicates a slight improvement over the previous crop year's total.

The statistical table does not represent an exact accounting balance of the stocks and handlings through the licensed system. The marketing figures are net bushels basis the country elevator dockage assessment; this dockage assessment could be and frequently was altered by cleaning to meet the strict export standards. The marketing data also include an estimate of that portion of the flour into commercial channels (chiefly export) which originated through unlicensed elevators. The data are presented in this form, however, as the statistical report of the basic handling operations.

|   | Bushels          |
|---|------------------|
| In Licensed Storage August 1, 1962 (Revised ..... | 2,158,531        |
| Marketings 1962-63                                |                  |
| Through Country Elevators .....                   | 5,203,718        |
| Through Mill Elevators .....                      | 36,233           |
| Through Interior Terminals .....                  | 416              |
| Through unlicensed elevators (estimated .....     | 450,000          |
| <b>Total .....</b>                                | <b>5,690,367</b> |
| Total available .....                             | 7,848,898        |
| Disposition                                       |                  |
| Overseas Exports                                  |                  |
| Via Pacific Ports .....                           | 5,671,169        |
| Via St. Lawrence .....                            | —                |
| <b>Total .....</b>                                | <b>5,671,169</b> |
| Processed Domestically .....                      | 1,645,142        |
| In Licensed Storage July 31, 1963 .....           | 524,646          |

| Distribution of Exports           | Bushels          |
|-----------------------------------|------------------|
| Britain .....                     | 72,800           |
| Belgium-Luxembourg .....          | 158,478          |
| Germany-Federal Republic of ..... | 215,210          |
| Italy .....                       | 1,358,002        |
| Netherlands .....                 | 372,220          |
| Algeria .....                     | 414,400          |
| Japan .....                       | 3,080,059        |
| <b>Total .....</b>                | <b>5,671,169</b> |

## APPENDIX (2)

CANADA

DEPARTMENT OF AGRICULTURE

BOARD OF GRAIN COMMISSIONERS FOR CANADA

STATISTICS BRANCH

Licences

Registration

Winnipeg, Man.

October 16/63

*Memorandum—**Re: 1963-64 Grain Movement*

The heavy wheat export commitments which must be met between now and July 31st, 1964 have prompted serious analysis of the handling capacity of the Canadian elevator and transportation system. It is not our function to comment other than factually on Canadian grain problems. We do believe, however, that certain statistics, when placed in their proper relationships are reassuringly indicative.

Our heaviest all grains export year on record was 1952-53 when Canadian clearances overseas and to the United States totalled 582.8 million bushels. This movement included 56.5 million bushels of wheat in flour form and .5 millions of oats in milled form. Approximately 112.3 millions of the bulk grain clearances went to the United States.

The 1928-29 record bulk wheat movement has also been cited as a comparative statistic. In that crop year Canada exported 354.4 million bushels of wheat out of a total grain and milled products clearance of 471.6 million bushels. However, at that time Canada made extensive use of the United States Atlantic seaboard ports and 184.7 million bushels of that crop year's shipments cleared through that sector. The significance of the comparison is also further reduced by examination of other details which prevailed at that time and which have since changed quite drastically. In 1928-29, Pacific Coast ports handled only 99.1 millions, St. Lawrence ports only 102.2 millions, Canadian Maritime ports only 17 millions. There was no Lakehead direct movement, Churchill was not a grain port and the average boxcar held only 1,348 bushels of wheat.

Our historical records show the following sector peaks for bulk grain clearances and these are possibly more significant than any overall totals. In 1961-62, the Pacific Coast ports handled the heaviest volume to date, shipping 180.9 million bushels. The two Canadian Maritime winter ports of Halifax and Saint John recorded their peak grain handlings during the wartime period with a total of 71.7 millions in 1941-42. Their peace time high was 45.2 millions in 1955-56.

The year 1952-53 was the record season for the St. Lawrence ports with an overseas grain total of 240.8 million bushels. These ports would also have handled a substantial portion of the 56.5 millions of flour exported that year. In 1952-53, the St. Lawrence port elevators had a licensed capacity of only 24.9 million bushels compared with the present storage capacity of 55.7 millions.. At that time the four river ports of Montreal, Sorel, Three Rivers and Quebec represented the only effective exporting points in the St. Lawrence system. Baie Comeau has been added since (exporting 26.2 millions of Canadian grain in 1962-63) and the Seaway has opened to ocean tonnage the ports of the lake system right up to Fort William-Port Arthur (shipped direct overseas 20.7 millions in 1962-63). Churchill's record volume of 21.8 millions was first set in 1959-60 and repeated in 1962-63.



The eastern seaway handlings are, of course, largely dependent on the vessel loading capacities at the Fort William-Port Arthur terminals. Although a heavy direct to seaboard rail movement has taken place on occasions, the lake traffic is the prime media of supplying the eastern system both for export and domestic. Historical records place the peak lake movement through the Canadian Lakehead at 470.2 million bushels established in 1944-45. The elevator storage capacity at that time was 90.1 million bushels compared with the present 103.4 millions which latter plant includes equipment not installed at the earlier period. It was also achieved in an era of small sized lake vessels with a resultant slower loading volume than that which now prevails with the larger bulk carrier. Coming up to more recent date, in 1952-53, the Lakehead elevators shipped 458.6 millions by vessel and moved a further 54.1 millions out by rail. Approximately half of this latter volume was for export.

The capacity of the entire system is, limited by that of the primary collecting sector—the country elevator system—and its ability to receive the grain from producers and move it forward by boxcar to terminals. Again, 1952-53 was the high volume year with primary marketings totalling 834.9 million bushels and country shipments 745.9 millions. In 1952-53, the licensed country storage capacity was 308.1 million bushels compared with the present 368.8 millions. This current plant is, if anything, more efficient and better equipped than was the system in 1952-53. Almost all of the elevators are capable of turning over their capacity at least four times within any crop season and some of them can reach as much as a 7 to 1 turnover. The limiting feature on the country elevators movement under normal circumstances is, of course, the availability of boxcars. This availability refers not only to the number of boxcars and the size of car but also to the dispatch with which the loaded cars are moved forward, unloaded at terminal points and made available for return to the country position and a reloading. The railways have indicated that they will make every effort to make a maximum number of cars available for the western grain movement. Even since as recently as 1952-53, the type and capacity of boxcar in the western grain trade has been substantially improved. In 1952-53, the average net bushels per car of wheat was just slightly over 1,700 bushels. In 1962-63, the higher proportion of larger car had raised this average to over 1,900 bushels per car. In other words, the same number of carlots as involved in the '52-53 movement would now carry approximately 75 million bushels more grain.

The other important link in the forwarding system is, the lake grain fleet. It is difficult to obtain comparable statistics on the 1952-53 period so I will merely cite the present considered capacities. At the moment, there are approximately 117 bulk carrier vessels in the lake trade plying in ore or in grain and in either case both available for grain cargoes. These vessels have a combined gross ton capacity of over 1.2 mill. long tons which represents a bushelage capacity on a wheat basis of approximately 47 million bushels. In 1952-53, there were relatively few of what we have termed the giant grain carriers now forming a major part of the lake grain fleet. These boats, with up to a million bushels capacity, each provide an extremely fast and efficient means of carrying the grain from the Lakehead to eastern export positions.

While complete details of the domestic and export requirements of the next twelve months are not precisely established at this date, it is still possible to make approximate estimates of what will be required for these two outlets during that period. It was generally understood that the Russian wheat and flour contract was to be superimposed upon an export movement only slightly reduced from last year's level. If such is the case, then it will be necessary to move into export positions approximately 550 million bushels of wheat including flour during that twelve month period. Added to this should be a slightly expanded coarse grain movement. This might be broken down into approx-

imately 20 million bushels of oats, 20 million bushels of barley, 8 millions of rye and 12 millions of flaxseed. The rye and flaxseed movement is approximately in line with last year's flow whereas the oats and barley reflect an increased demand for these two grains in overseas markets. This total of 60 millions of coarse grains added to the wheat export flow brings a total export clearance of 610 million bushels of grain which must be in seaboard positions before July 31, 1964. On the domestic front, Canada normally required approximately 50 million bushels of wheat for flour for domestic consumption in Canada. A further 15 millions of wheat is used for industrial purposes and seed and feed going back through the system in the local areas. Recent indications are that the eastern feed market for Canadian grain will be expanded over previous year's levels. Representations have already been made from eastern buyers and the recent changes in the freight assistance and feed grain storage arrangements have been designed to meet an expanded flow of grain in this area. The total movement could be of the order of 95 million bushels. This would give us a combined wheat and coarse grain domestic requirement of approximately 160 million bushels. Western mills, distillers and other processors and local demands in the prairie area, all of which would be supplied on a relatively local basis, could account for approximately 50 million bushels of this 160 millions total. On this basis, approximately 720 to 730 million bushels of grain would have to be moved out of the prairie area to domestic and export outlets. If we assume the Pacific Coast capacity to be of the order of 200 million bushels which has been generally agreed as the level which they could attain without too much difficulty, then the remaining 520 millions would have to move either eastward down through the Great Lakes system or out through the port of Churchill. While it would appear that any expansion in the Churchill movement is out of the question for this crop year, 22 millions have already moved out. This leaves the balance of 500 millions to move either down the Great Lakes or be railed all the way from the prairies direct to the eastern outlets. While rail movement from the Lakehead east is not an economical proposition in comparison with vessel shipping, the differential is not quite as great on the domestic movement where in many instances the grain had to be reloaded to boxcars at eastern elevator points. The margin is also not quite so great on the movement into the Maritime winter ports of Halifax and Saint John. Consequently it is possible that we might be involved in a rail movement of upwards of 50 million bushels. This would reduce the lake commitments from the 500 million bushel established by the above figures. However, even if we assume the lake flow to be of the order of 500 millions, this would still appear to be within reason. A normal shipping season on the Great Lakes covers approximately 32 to 34 weeks. We had 24 of them left at October 9. At that time we had shipped approximately 78.9 millions of grain down the lakes. This leaves us a balance of about 420 millions for the 24 weeks remaining or an average sustained weekly volume of about 18 million bushels. This, of course, assumes that we close the season with the same stock level in the East. This is not necessary. We now have 77.3 millions of wheat in eastern elevators and a further 11.8 millions on the Great Lakes on the way down and there is an additional 13 millions of coarse grains either in the East or on the way there. If we were to cut this by half at July 31, 1964, and this is quite reasonable, we would have a safety margin there of an additional 50 millions. The combination of the rail movement and this stock reduction would bring the required Lakehead balance volume down to 320 to 350 millions to be moved over the next 24 weeks. On a six day shipping week, this would work out to less than 2½ million bushels loaded per working day.

Let me sum up—starting from country elevator positions—we need 610 millions for export and 160 millions for domestic—a total of approximately 770 million bushels. If we reduce the eastern stocks by the 50 millions referred to

earlier we bring this down to a possible 720 millions—country elevators handled 750 millions in 1952-53. Of this 720 millions moved about 50 millions of it would stay in the prairie area insofar as its grain form was concerned. We will move 200 millions via the west coast—they have handled 180 millions—22 millions already out of churchill—the remaining 450 millions will move through the Lakehead. These ports have already shipped 80 millions and handled 512 millions in 1952-53. About 20 millions will be direct ocean loading. In the east for export let us assume 50 millions out of the Maritime winter ports—remember they handled 71.7 millions in 1941-42. This leaves 320 millions for St. Lawrence ports—quite within reason they handled 240 millions with less than half of their present capacity.

I think you will agree that the statistics are convincing. The movement will require close scheduling and a high degree of co-operation and co-ordination but it is definitely well within the capacity of the elevator and transportation system.

Yours very truly,

E. E. Baxter,  
*Chief Statistician.*





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HOUSE OF COMMONS  
First Session—Twenty-sixth Parliament  
1963

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STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 2

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Respecting the Annual Report of the  
DEPARTMENT OF AGRICULTURE (1963)  
with particular reference to matters relating to the  
PRICE OF FEED GRAINS

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TUESDAY, DECEMBER 3, 1963

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WITNESSES

Honourable Harry Hays, Minister of Agriculture, Dr. S. C. Barry, Deputy Minister, Dr. J. A. Anderson, Director of Research, Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture and Mr. E. E. Baxter, Chief Statistician, Board of Grain Commissioners.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963

STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                                |                           |                                |
|--------------------------------|---------------------------|--------------------------------|
| Armstrong,                     | Groos,                    | O'Keefe,                       |
| Béchar, d,                     | Gundlock,                 | Olson,                         |
| Beer,                          | Hamilton,                 | Ouellet,                       |
| Berger,                        | Harkness,                 | Pennell,                       |
| Bigg,                          | Herridge,                 | Peters,                        |
| Cadieu ( <i>Meadow Lake</i> ), | Horner ( <i>Acadia</i> ), | Pigeon,                        |
| Choquette,                     | Jorgenson,                | Rapp,                          |
| Clancy,                        | Kindt,                    | Rochon,                        |
| Crossman,                      | Konantz (Mrs.),           | Roxburgh,                      |
| Cyr,                           | Langlois,                 | Smallwood,                     |
| Dionne,                        | Laverdière,               | Southam,                       |
| Drouin,                        | MacLean,                  | Stefanson,                     |
| Émard,                         | Mather,                   | Tardif,                        |
| Enns,                          | Matheson,                 | Temple,                        |
| Éthier,                        | Matte,                    | Vincent,                       |
| Forbes,                        | McIntosh,                 | Watson ( <i>Assiniboia</i> ),  |
| Forest,                        | Moore,                    | Watson ( <i>Chateauguay-</i>   |
| Forgie,                        | Mullally,                 | <i>Huntingdon-Laprairie</i> ), |
| Gauthier,                      | Muir ( <i>Lisgar</i> ),   | Whelan—60.                     |
| Gendron,                       | Nasserden,                |                                |

(Quorum 20)

D. E. Levesque,  
*Clerk of the Committee.*



ORDER OF REFERENCE

TUESDAY, December 3, 1963.

*Ordered*,—That the names of Messrs. Ricard, Danforth, McBain, Loney, and Cardiff be substituted for those of Messrs. Clancy, Smallwood, Moore, Gundlock, and Kindt respectively on the Standing Committee on Agriculture and Colonization.

*Attest.*

LEON-J. RAYMOND  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

TUESDAY, December 3, 1963.  
(3)

The Standing Committee on Agriculture and Colonization met this day at 9:30 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

*Members present:* Messrs. Armstrong, Asselin (*Richmond-Wolfe*), Béchard, Berger, Clancy, Crossman, Enns, Ethier, Forest, Groos, Hamilton, Harkness, Honey, Horner, (*Acadia*), Jorgenson, Langlois, Laverdière, MacLean (*Queens*), Matte, Moore (*Wetaskiwin*), McIntosh, Mullally, Nasserden, O'Keefe, Pennell, Peters, Pigeon, Rapp, Roxburgh, Smallwood, Southam, Stefanson, Temple, Vincent, Watson (*Assiniboia*), Whelan—(36).

*In attendance:* The Honourable Harry Hays, Minister of Agriculture, Dr. S. C. Barry, Deputy Minister and Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture and Mr. E. E. Baxter, Chief Statistician, Board of Grain Commissioners.

The Clerk read the report of the Subcommittee meeting of Thursday, November 28, 1963:

The Subcommittee of the Standing Committee on Agriculture and Colonization met this day at 11:30 o'clock a.m. in the Chairman's office.

*Members present:* Messrs. Honey, Asselin (*Richmond-Wolfe*), Olson, Mullally and Peters (5).

The discussion was on the Agenda, it was agreed that the next Order of Business will be "That the Committee will consider the Annual Report of the Department of Agriculture for the year ended March 31, 1963, with particular reference to the matters relating to the difference between the price received for feed grains by the producers in the prairie provinces of Western Canada and the price paid by livestock feeders in Eastern Canada and British Columbia."

Mr. Olson suggested that the officials of The Canadian Wheat Board be invited to appear before the Committee and that they be informed of the specific subject to be discussed.

It was agreed that the Order of Witnesses be The Minister of Agriculture, The Canadian Wheat Board, The Federation of Agriculture, The Catholic Farmers Union (U.C.C.), The Coopérative Fédérée, The Winnipeg Grain Exchange, The Association for the Development and Protection of Eastern Agriculture Inc., Maritime Cooperative Services.

The Clerk was requested to write to organizations, who asked to be heard by the Committee and inform them of the date that the Committee will hear their representations.

It was agreed that the report of the Subcommittee be adopted as read.

The Chairman read the names of the organizations who signified their intentions to appear before the Committee.

The Annual Report of the Department of Agriculture for the year ended March 31, 1963, was considered as read.



The Chairman introduced the witnesses and the Committee proceeded to the examination of the Report and the questioning of the witnesses.

It was agreed that the table showing prices of Sample Wheat, No. 1 Feed Oats and No. 1 Feed Barley, together with a table showing storage Assistance Regulations be printed as appendices.

(See appendices 1 and 2).

As requested by Mr. Danforth it was agreed that the statement prepared by Dr. Anderson in regard to Breeding of Corn hybrid-varieties in Canada be printed as appendix (3) (See Appendix 3).

Agreed: That paragraphs entitled "Marketing and Production" be allowed to stand pending the appearance of other interested witnesses.

At 12:00 o'clock noon, the examination of the witnesses continuing, the Committee adjourned until after the Orders of the Day, this day.

#### AFTERNOON SITTING

(4)

At 3:50 o'clock p.m., the Committee resumed. The Chairman, Mr. Russell C. Honey, presiding.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Cardiff, Danforth, Dionne, Enns, Ethier, Harkness, Honey, Horner, Langlois, Laverdière, Loney, McBain, Mullally, Nasserden, Peters, Rapp, Ricard, Southam, Stefanson, Temple, Vincent, Watson (*Assiniboia*), Whelan—(24).

*In attendance:* The Honourable Harry Hays, Minister of Agriculture, Dr. S. C. Barry, Deputy Minister, Dr. J. A. Anderson, Director General of the Research Branch, Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

The Chairman read the Report of the Subcommittee meeting of this day.

The Subcommittee of the Standing Committee on Agriculture and Colonization met this day at 12:00 noon in Room 355 W.B.

*Members present:* Messrs. Honey, Hamilton, Asselin (*Richmond-Wolfe*), and Langlois (4).

The Subcommittee discussed the Motion of Mr. McIntosh passed at the Committee meeting of November 21, 1963: "That the Committee request an opinion from the Department of Justice as to the application of the Statistics Act which might prevent the Board of Grain Commissioners from revealing certain statistical information to the Committee."

The Subcommittee reviewed the draft letter to the Minister of Justice and agreed to forward the said letter as drafted.

The said report was adopted as read.

It was suggested that the Committee's quorum should be reduced.

The Committee continued the questioning of the witnesses.

At 5.50 o'clock p.m., the Committee adjourned to December 5, 1963, to consider the annual report of the Canadian Wheat Board.

D. E. Levesque,  
*Clerk of the Committee.*

## EVIDENCE

TUESDAY, December 3, 1963

The CHAIRMAN: Gentlemen, we have a quorum.

Initially, I will ask Mr. Levesque, the clerk, to read the minutes of the meeting of the steering committee which was held on November 28.

THE CLERK OF THE COMMITTEE: (*See Report of Sub-Committee in minutes of proceedings*).

The CHAIRMAN: Gentlemen, we have heard the minutes of the steering committee meeting held on November 28.

Is it agreed that we adopt these minutes?

Some hon. MEMBERS: Agreed.

Agreed to.

The CHAIRMAN: If I might comment on the minutes, the clerk has been good enough to write to the various organizations who are mentioned in the minutes. You will be interested in the schedule which has been set out by your steering committee.

Of course, we have the Minister of Agriculture and his officials here today in connection with the report of his department.

On Thursday, the Canadian wheat board will be here. Next week an invitation has been extended to the Canadian Federation of Agriculture, the Catholic Farmers Union (U.C.C.) and the Co-operative Federee. On Thursday, December 12, the Winnipeg grain exchange has been invited to appear. On Tuesday, December 17, the Association for the Development and Protection of Eastern Agriculture Incorporated will be here, and on Thursday the 19th, which will run us up to, we hope, prorogation of the house, we will have the Maritime Co-operative Services.

At the head of the table there are press releases in both English and French from the Minister of Trade and Commerce in respect of a speech made yesterday in Calgary. These copies were forwarded to me by his executive assistant for the information of any members of this committee who would like to look at that release.

Mr. WATSON (*Assiniboia*): Mr. Chairman, have you any extra copies of the annual report in English?

The CHAIRMAN: The clerk advises me that all copies of the report have been distributed. Copies of this report were mailed to members some time ago and each member should have one in his office.

Gentlemen, we are pleased to have with us this morning Mr. Hays, the Minister of Agriculture. Before introducing the Minister to the committee may I say there are no French reporters available this morning and I would ask the English reporters present to take down the notes from the interpreter in the event we have interpretation of the committee proceedings.

Last meeting the matter was raised of obtaining a committee room with simultaneous translation facilities. I think all members appreciate the number of demands of the committee branch for space. However, our clerk has arranged, starting on Thursday, to have room 308 for all subsequent meetings. That room does have simultaneous translation facilities.

Now, gentlemen, if I could revert back to the report of the steering committee I might recall to you that the house referred to us, among other

things, the annual report of the Department of Agriculture for the year ended March 31, 1963. The steering committee have recommended that this report be dealt with this morning, with particular reference to the matter of eastern feed grains.

I would like an indication from the committee before we start of the manner in which we should proceed. If you will permit me, I will make the suggestion, which was concurred in by the members of the steering committee, that while we want to consider this whole report we do want to give particular emphasis to the matter of eastern feed grain. That subject is relevant to the headings on page 9, under "marketing" and "production".

In order that we do not deprive any committee member from dealing with other aspects of the report I wonder if we could take the report as read and then I will call the headings in order that each may have an opportunity to ask questions under a particular heading. Of course, under the headings of "marketing" and "production" on page 9, we will be able to spend as much time as the committee wishes in respect of the eastern feed grain matter. Is that agreeable to the committee?

Some hon. MEMBERS: Agreed.

### Introduction

Operations of the Department of Agriculture cover a wide variety of activities relating to all aspects of the industry. Some indication of the diversity of these operations is given by the list of acts administered by the department. In the main, the department is concerned with such matters as research into the problems of agriculture, both physical and economic; grading and inspection of farm products; prevention and control of diseases and other pests of crops and livestock; conservation of soil and water resources; measures designed to alleviate the effects of weather hazards and market fluctuations; provision of farm credit; and marketing of Canada's grain crops.

The department employs a staff of some 10,000, many of whom are trained in the sciences of agriculture and related fields. Administrative headquarters of the department are in Ottawa but regional offices and laboratories are scattered across all the provinces and territories.

Late in the year, the organization administered by the assistant deputy minister (production and marketing) was altered to form two branches: the production and marketing branch and the health of animals branch. Also, the crop insurance administration now reports directly to the assistant deputy minister instead of through the director general of the production and marketing branch.

References to changes in acts and regulations are given in the reports of the divisions concerned.

The following pages give a general account of departmental activities as carried on by the various units. A chart included with the report shows the organization of the department.

## ECONOMICS AND INFORMATION

### Economics Division

This division provides economic research and advisory services for departmental policies and programs and conducts research leading to more efficient agricultural production and marketing and improved farm living conditions. It assists in formulating and carrying out programs in the stabilization of farm prices and income; in rural rehabilitation; and in international trade, tariff and commodity arrangements.



The division does research on the economic aspects of a wide variety of matters affecting Canadian agriculture, including prospects in farm supply and consumer demand. It is closely associated with the work of the food and agriculture organization of the United Nations and the general agreement on tariffs and trade.

Economic observations and prospects are published regularly in seven periodicals edited by staff economists.

The division has five regional offices, one in each of the four western provinces and one for the Atlantic provinces.

During the year, staff members advised and represented the department in both domestic and international economic matters. They prepared basic papers and attended overseas meetings associated with the world food program, the international wheat agreement, the organization for economic cooperation and development, and those relating to Britain's negotiations to enter the European common market. Staff members assumed the responsibilities of chairman and secretary of the Canadian interdepartmental FAO committee, chairman of the interdepartmental world food program committee, alternate for the deputy minister on the interdepartmental committee on external trade policy and departmental representative on the Canadian delegation to GATT meetings in Geneva. arrangements in the European economic community.

The chief of the marketing section spent most of the year in the Canadian Embassy in Brussels reporting the development of marketing

The division arranged courses of study and tours for trainees and visitors who came to Canada to study various aspects of Canadian agriculture. These people came under the auspices of the Colombo plan and the food and agriculture organization of the United Nations.

Staff members prepared special material for and helped organize the federal-provincial agricultural conference in November.

### Policies and Prices

The policies and prices section undertook further responsibilities in the OECD and NATO. A staff member was departmental liaison officer for both groups and chairman of the interdepartmental committee handling agricultural matters of the OECD. Papers on various aspects of Canadian agricultural policies were prepared for use by the OECD, FAO and GATT.

Staff members analyzed the implications for Canada of Britain's proposed entry into the European economic community and helped prepare reports for the Canadian delegation in Brussels. Members of the section represented the department in discussions on trade and international agreements.

A study of Canadian tariff and trade developments continued and several reports were issued. Studies of agricultural policies in other countries were also continued. New and more detailed forecasts of demand up to 1980 were made for most Canadian agricultural products. A study was made of the supply, demand and trade in the dairy industry up to 1970. Based on demand forecasts by the FAO for most countries of the world, a study was made of the future trade prospects for Canadian agricultural products.

### Marketing

The marketing section studied the distribution, utilization and pricing of agricultural products in close liaison with the agricultural stabilization board and the commodity divisions of the department.

Special attention was given to problems of dairy policy, including an analysis of the effects of the reduced retail price for butter. Research continued on the consumption of fluid milk in specific markets and the relation between milk consumption and family characteristics. Documentation was prepared for the national dairy conference.

The feed-grain policy for eastern Canada and grain storage facilities were considered. Also, the financing problems of Ontario fruit processors were studied and a report was issued.

The international wheat council's draft report on wheat consumption in the twentieth century was critically reviewed.

Staff members prepared papers for presentation to various trade association meetings and the Canadian food conference and published a bulletin on the potential for freeze-dried foods in Canada. They also reviewed the report of the royal commission on transportation as to its implications for agriculture.

The statistical service on cooperatives, credit unions and marketing boards was continued and annual reports were published.

### Production

A research program in production economics was continued. Also, advisory and consultative services on general economic aspects of agriculture, land economics, farm management, rural sociology and air-photo interpretation were provided to this and other departments and agencies.

Examples of the work undertaken include: resource inventory studies and background material for the agricultural rehabilitation and development administration; development of mail-in farm records for the farm credit corporation; farm income and expenditure studies; completion of a study of the assessment of farm managerial ability; studies of small-scale poultry enterprises on farms in eastern Ontario; background material on crop insurance and on the general insurance requirements of farms; a study of feed-grain requirements in eastern Canada; a survey on agricultural adjustment in eastern Canada; a study on air-photo interpretation of selected areas of Prince Edward Island; and socio-economic studies in New Brunswick and Ontario dealing with relocation problems and mass media communication, respectively. The staff member on assignment to FAO completed a special report on peasant agriculture in Northern Nigeria.

Additional material prepared for departmental use and for other agencies dealt with agricultural productivity, farm credit, costs of production, off-farm income, agricultural rehabilitation and development, agricultural legislation, government expenditures in agriculture, and the activities of the Senate land use committee.

### Regional Offices

Regional offices carried out studies for this and other federal departments, provincial agencies and agricultural industries. Economic advice was provided on the effects of regional programs on agriculture in general and of national programs on regional agriculture. Economic analyses were supplied on major developments in agriculture, including benefit-cost analyses, farm production adjustments, rural development projects, community pastures, irrigation and land classification.

Regional research projects included studies on: rural development in Madawaska County, New Brunswick; hog production in Nova Scotia and New Brunswick; costs and benefits of irrigation in the Morden Winkler area of the Pembina River Basin, Manitoba; changes in farm organiza-

tion in the dark brown soil zones of Saskatchewan; farm machinery depreciation and repair costs; use and organization of pasture in the prairie provinces; farm organization in the parkland areas of Alberta; beef production in Alberta; cost of potato production in Alberta; agriculture in the northern Okanagan Valley; and dairying on Vancouver Island and the lower mainland of British Columbia.

Regional offices provided information and advisory services for continuing federal programs, such as ARDA, P.F.R.A., farm credit and crop insurance.

## INFORMATION DIVISION

This division gathers and disseminates information on the research, development and regulatory work of the department. It gives service to the news media, to agricultural extension workers, directly to the public and—through its library—to research workers and administrators within and beyond the department. It also serves crown agencies and corporations reporting to the minister.

The division is made up of four main sections. The press and radio section produces press releases, feature articles, and radio tapes. The visuals section prepares material for telecasting, supervises the preparation of motion picture films, constructs exhibits and displays, and operates a still-photography unit. The publications section edits, designs and publishes departmental reports and pamphlets; does research on their effectiveness; and operates copy-preparation, duplicating, mailing-list and photocopying pools for the department. The library section operates the central library of the department and 15 branch libraries at research establishments across Canada. The central library is the main national collection in the life sciences.

## PRESS AND RADIO SECTION

### Press

*Farm News* continued to be the main vehicle for distributing press copy to news outlets in Canada and abroad. This semimonthly clip-sheet, resembling the front page of a newspaper, was published in both English and French. More and better pictures reduced the number of articles carried but increased the "pickup." This accounted for a substantial increase in the number of requests for photographs and mats.

The amounts of press copy produced in 1961-62 and 1962-63 were:

| Vehicle                     | 1962-63 |        |       | 1961-62 |        |       |
|-----------------------------|---------|--------|-------|---------|--------|-------|
|                             | English | French | Total | English | French | Total |
| Farm News, Circulation..... | 3,075   | 1,250  | 4,325 | 3,125   | 1,250  | 4,375 |
| Articles.....               | 250     | 250    | 500   | 218     | 218    | 436   |
| Requests for photos.....    | 462     | 210    | 672   | 605     | 275    | 880   |
| Mats distributed.....       | 3,360   | 1,360  | 4,720 | 4,400   | 825    | 5,225 |
| Press releases.....         | 343     | 148    | 491   | 362     | 138    | 500   |
| Reference papers.....       | 1       | —      | 1     | 3       | —      | 3     |
| Special articles.....       |         |        | 140   |         |        | 74    |

News that could not wait for the clip-sheet and news of regional interest was issued as press releases to all media: press, radio and television. Items of national interest were given Canada-wide distribution. Those of regional interests were limited to the area concerned. The total number issued was about the same as in 1961-62.



Reference papers, which are comprehensive background statements on federal agricultural policies, were introduced in 1961-62 and given limited distribution to the news media, farm organizations and representatives of foreign governments. Owing to enthusiastic response, three more were produced this year: on the dairy situation, meat inspection and crop insurance. These were prepared in close cooperation with other divisions of the department.

More complex subject matter and greater depth of treatment reduced the number of special articles prepared.

### Radio

A weekly tape service was provided for 110 English-language radio stations. Addition of a bilingual broadcasting specialist to the staff paved the way for the introduction of a weekly French-language tape service. Beginning in January, tapes were mailed each week to 48 French-language stations.

The tape service consisted of interviews with at least two senior departmental officers on timely agricultural subjects each week. These were sent coast to coast in Canada and to other widely separated points, including Washington, D.C., and Barbados.

The number of program items and tapes produced in 1961-62 and 1962-63 were:

| Producer             | 1962-63 |        |       | 1961-62 |        |       |
|----------------------|---------|--------|-------|---------|--------|-------|
|                      | English | French | Total | English | French | Total |
| Information Division |         |        |       |         |        |       |
| program items.....   | 125     | 39     | 164   | 94      | 5      | 99    |
| tapes produced.....  | 5,460   | 1,242  | 6,702 | 4,424   | 120    | 4,544 |
| Consumer Section     |         |        |       |         |        |       |
| tapes produced.....  | 992     | 564    | 1,556 | 960     | 564    | 1,524 |

Tapes processed for the Consumer sections' monthly program went out to 81 English- and 46 French-language stations.

### Visuals

Use of the television medium was stepped up by adding staff and forming a television unit. Short films (one to five minutes) were produced within the department for the first time and distributed to television stations. Most of these were silent, with commentaries; others had sound tracks. Follow-up surveys of the television station indicated that the films were widely used.

The numbers of films and exhibits produced in 1961-62 and 1962-63 were:

|                                | 1962-63 | 1961-62 |
|--------------------------------|---------|---------|
| Television slide kits.....     | 78      | 73      |
| silent films.....              | 8       | —       |
| sound films.....               | 2       | —       |
| Full-length colored films..... | 2       | 3       |
| Exhibits.....                  | 28      | 21      |

The number of slide kits, with commentaries, distributed to television stations continued to increase but, owing to a decline in the number of farm programs on television, only 13,000 slides were distributed, compared with about 14,000 in 1961-62.

The full-length colored films *Community Pastures* and *Research and the Farmer* were produced in cooperation with the national film board. Distribution of these is handled by the board.

Owing to great public interest in federal meat inspection, this theme was chosen for the Section's major exhibit. The exhibit was shown at the royal winter fair in Toronto, le salon d'agriculture in Montreal, and at smaller fairs and exhibitions.

## PUBLICATIONS

### Nonperiodicals

Fewer publications and revisions came off the press than in either of the two previous years, but the number of reprints increased slightly.

The numbers of nonperiodicals printed in 1961-62 and 1962-63 were:

|                                  | 1962-63 |        |       | 1961-62 |        |       |
|----------------------------------|---------|--------|-------|---------|--------|-------|
|                                  | English | French | Total | English | French | Total |
| Numbered publications.....       | 36      | 10     | 46    | 45      | 10     | 55    |
| Reports (including annuals)..... | 20      | 2      | 22    | 16      | 5      | 21    |
| Miscellaneous.....               | 15      | 8      | 23    | 19      | 8      | 27    |
| Total.....                       | 71      | 20     | 91    | 80      | 23     | 103   |

The section now offers about 570 nonperiodicals to the public; 30 of these are sold through the queen's printer.

About four million copies of departmental publications were distributed, double the number sent out in 1961-62 and four times as many as in 1960-61. Most of the increase has been in inexpensive brochures and leaflets such as *crop insurance*, *Canadian wheat board*, *Canadian agriculture* and *milk for physical fitness*. The latter two accounted for about one million each.

About 387 thousand publications were distributed to, or through, provincial departments of agriculture and universities. Though this is 20 percent more than the year before, it is only 10 percent of the total distribution. These outlets are naturally more interested in distributing pamphlets on production and marketing techniques than those that deal primarily with federal programs.

Another milestone in federal-provincial-university cooperation was passed when this department republished two University of Saskatchewan booklets on swine and one Ontario department of Agriculture booklet on eggs, all three for Canada-wide distribution.

### Periodicals

The number of periodicals continued to grow. The department now offers 24 to the general public and about three times that number to professional and industrial groups both inside and outside of the department. However, a firmer policy on revising mailing lists has reduced the distribution of market reports.

The numbers of periodicals distributed in 1961-62 and 1962-63 were:

|                     | 1962-63 | 1961-62 |
|---------------------|---------|---------|
| Market reports..... | 1,012   | 1,107   |
| Other.....          | 475     | 402     |
| Total.....          | 1,487   | 1,509   |

## LIBRARY

The central library of the department was founded in 1910 and now has about 235,000 volumes, including some 3,000 periodical titles.

Services offered include: automatic circulation of current periodicals; monthly or bimonthly lists of new accessions; miscellaneous special compilations by library staff; centralized subscription services; photocopying facilities; interlibrary loans; exchange of publications and bibliographic searches.

An important activity this year has been planning for expanded library quarters in the proposed new departmental administration building. A firm of library building consultants was engaged early in 1962 to review present facilities and to prepare an analysis of future requirements. A comprehensive statement of program was made available to the departmental authorities in the fall, and this is now a valuable document to aid our planning program. Present quarters are entirely inadequate, both for book storage and for staff space.

The use of data processing equipment for subscription and circulation activities which was pioneered in this department, is now being applied to periodicals currently received. Other applications are planned as time and staff permit.

Loans and circulations during the year totaled about 147,000, including about 17,850 initial automatic periodical circulations representing some 125,000 loans. A new economical photocopying service was introduced in October to improve service and reduce wear, tear and loss of the more valuable reference works. During October-March, 5,500 items (67,000 page copies) were provided in lieu of loans. This accounts for a slight decline in the number of loans and circulations from 152,000 in 1961-62.

The CHAIRMAN: Gentlemen, may I introduce to you at the present time the Minister of Agriculture, the hon. Mr. Harry Hays.

I would ask Mr. Hays to introduce to the committee the members of his department who are with him this morning.

Hon. HARRY HAYS (*Minister of Agriculture*): Thank you, Mr. Chairman, and good morning, gentlemen.

I have with me this morning the deputy minister of agriculture, Dr. Barry, whom I would like to introduce at this time. I believe Dr. Barry is familiar to most of you. Also with me this morning is Mr. Chuck Phillips, who administers the feed grain policy in the department, and also Mr. Baxter, the chief statistician for the board of grain commissioners.

The CHAIRMAN: Thank you very much, sir.

Gentlemen, we will now proceed to the report. The first heading which I will call is "introduction". The second heading is "economics and information, economics division".

Mr. WHELAN: Mr. Chairman, are we permitted to ask any questions under any of these headings?

The CHAIRMAN: Yes. My thought was that members should not be deprived of going into the report in whole. However, your steering committee has recommended we deal particularly with eastern feed grains, which would fall under the heading of "marketing" and "production", which is at page 9.

Mr. WHELAN: Mr. Chairman, I would like to ask one question under the heading "economics division". It says there that tariff and commodity arrangements are one of the things they make studies of. Could you tell me, Mr. Phillips if the study of soybeans is finished.



Mr. C. R. PHILLIPS (*Director of Plant Products, Department of Agriculture*): No, Mr. Whelan, it is not finished and, as far as I am aware, it is under the tariff board. The study on tariffs relative to soybeans and other oil seeds is being conducted by the tariff board, and there has not been a report made to date.

The CHAIRMAN: We will now deal with the heading, "policies and prices". I wonder if the minister would care to make a brief statement in respect of the matter of eastern feed grain facilities and, generally, the eastern feed grain policy with which this committee has been concerned.

Mr. HAYS: Mr. Chairman and gentlemen, early in the spring, we realized that the feed grain problem in eastern Canada was a problem which required a very careful look inasmuch as there was some concern in respect of the inadequate supplies on spot in the eastern regions in so far as feed grains were concerned. It was a good thing that we did take a look at it because this is when the large sales were made to Russia and it could have presented quite a problem if we had not taken a long look at it previous to this time.

You will recall on August 22, we announced that the government was going to pay winter storage costs at eastern locations in so far as feed grain is concerned.

Also, we were taking a look at other areas in an endeavour to make the feed grain policy more workable and more acceptable to certain areas the problems of which, I might say at this time, we still have not resolved. However, we hope to resolve this in the very near future. Some of the results of this policy of paying the storage and also having a policy whereby they could have preferred deferred pricing payments in so far as grain was concerned at eastern locations has borne some fruit.

As at November 20, we have 65 per cent more on spot in eastern locations than we had a year ago; and in some areas like Halifax, we have 300 per cent more. At the close of navigation, if it should be two weeks away, it would appear that we are going to be in no difficulty about grain in various locations in eastern Canada. The reason for this is the fact that they ordered their grain and we were paying grain storage from October 15 to April 15. I think this pretty well covers it, I mean the general aspect of how we handle this.

It is probably interesting to the committee to note at this time that in so far as prices of oats and barley are concerned, they are considerably less than a year ago. It could be that there is going to be an upward movement of grain prices. So many of the organizations which have been purchasing grain in the east for eastern distribution have taken delivery of this grain to protect this sort of position. I think that pretty well covers the policy, but we still have not resolved the different programs in so far as freight assistance is concerned.

Now, of course we pay freight assistance, (the water) and at the moment there has been no change from last year except that we are paying storage on the grain now. We have 65 per cent more western grain on spot today than we did a year ago—I mean on the 20th of November.

Mr. PIGEON: I have a question of the minister. Is it the intention of the government to build another facility for storage of grain in the eastern provinces? I mean elevators?

Mr. HAYS: There is no government policy at the moment in so far as increasing facilities are concerned. In the last three years the facilities have increased about 16 to 17 per cent, to take about eight more million bushels, and we know it will be in the neighbourhood of 2 million more bushels in the next three years—that is, space. I might add that during 1961 and 1962, as far as we can learn, there were adequate facilities in so far as western grain in eastern location was concerned.

Mr. HORNER (*Acadia*): When the minister states there is 65 per cent more grain in eastern Canada at the present time, to what type of grain does he refer?

Mr. HAYS: Domestic feed grains.

Mr. VINCENT: With these supplies in eastern Canada, would that mean that the price of grain will be stabilized until June?

Mr. HAYS: No, the government has no control over the rise and fall of the price. As I understand it, it is competitive, and this sets the price—I mean the co-ops, the federations, and the various people who follow the grain up and down. Most of them have their grain on spot now. Dr. Barry points out the fact that there are adequate supplies on spot, and that this should to a great measure take care of this situation.

Mr. VINCENT: The big problem, as I understand it, is that the price is much higher in February, March and April than it was in September or October, and this is one of the big problems we have in Eastern Canada. The price changes too much within these three or four months. Is it possible to do something about that?

Mr. PHILLIPS: The paying of storage charges will make a distinct difference. In the past prices of grain went up in the east by months, in terms of the storage and interest costs. Take a ton of barley; it would go up 42¢ a month in terms of storage, so at the end of five months there would be a \$2.00 increase. This would have a stabilizing effect, since the storage is now paid by the government, and it should not go up that \$2.00. In conjunction with the announcement in August by the government, there was an announcement by the wheat board that they were instituting a provisional or deferred pricing system. The purpose of these two, the storage plus the deferred pricing system, was to correct the situation whereby the October market was over the May market in terms of futures.

Anyone buying in October had to charge for storage throughout the winter but under this program, the deferred pricing and the storage corrected this difference. You will find as this fall progressed that actually there was a discount on the October in relation to May. Therefore, the future market was used for hedging. I give you an example of the effect it would have on oats, where the storage charge per ton per month is about 59¢, so that with five months storage paid, the price would be \$3.00 less than it would be in the spring were the storage not paid by the government.

Mr. VINCENT: We have heard a lot about speculation on grain. Do you have any study on that? What is your opinion about the speculation which we have heard a lot about, in connection with the prices of grain in eastern Canada? Is it true that there is big speculation on it?

Mr. PHILLIPS: I understand that most large feed dealers—and when I say feed dealers I mean manufacturers and retailers—do not speculate. To speculate is to take a position on the market. The speculator buys at a price and then sits on his grain, and takes the chance on a fall or a rise. It is true that many retailers in Quebec—and I know of a few in Ontario—do take a position on the market. They buy their grain in the fall and pay for it, and then sell it. But the practice generally in Ontario and for large manufacturers in Quebec is to hedge. Therefore, there is no speculation but now to the extent that the market rises their prices rise. They have not taken a position and therefore they have not been able to make any speculative profit. But they have protected themselves against loss.

Mr. MCINTOSH: On page 36 of the report there is a heading "Freight assistance on western feed grains". The last sentence in that paragraph reads:

This was about 30 per cent less than in 1961.



In other words I would take it from the report that the requirements were 30 per cent less in 1962 than they were in 1961. Was the reason for this greater imports of other feeds, such as corn from the United States? What is the explanation by the department?

Mr. PHILLIPS: You will recall there was a short crop in 1961 in western Canada and western grain prices went up because the demand remained the same while the supply was down. As a result, United States corn was brought into this country and the price of it last fall was as low as any feed grain price, and was considerably lower than wheat. Therefore, there was quite a quantity of United States corn brought in, and to that extent, since freight assistance does not apply to United States corn, there was this reduction of expenditure.

Mr. McINTOSH: Is there anywhere in the report the per cent of importation of corn in 1962 over 1961?

Mr. S. C. BARRY (*Deputy Minister Department of Agriculture*): there were 34 million bushels in 1962 as compared to 23 million bushels the previous year. This was the result of the short 1961 crop. The reduction in shipments of western feed grain was as a result of the short crop. This was supplemented by United States corn. The reverse situation applies this year.

Mr. McINTOSH: Have you any figures on the total number of tons? How much wheat, barley and oats, was it, roughly?

Mr. BARRY: I will give you the figures now for November 20, 1963 for western feed grain. The figures are as follows:

STOCKS OF WESTERN GRAIN AND CORN IN EASTERN POSITIONS  
MILLIONS OF BUSHELS

| WESTERN GRAIN                           |                        |                 |                 |                 |                 |                 | U.S. & CANADIAN CORN |                 |
|---|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|   | Wheat<br>No. 6 & Lower |                 | Oats            |                 | Barley          |                 |                      |                 |
|   | Nov. 20<br>1963        | Nov. 21<br>1962 | Nov. 20<br>1963 | Nov. 21<br>1962 | Nov. 20<br>1963 | Nov. 21<br>1962 | Nov. 20<br>1963      | Nov. 21<br>1962 |
| Bay & Upper Lakes...                    | 1.1                    | .5              | 2.4             | 1.9             | 2.4             | 1.1             | .7                   | 1.4             |
| Lower Lake & Upper<br>St. Lawrence..... | 1.4                    | .6              | .9              | .7              | .8              | .9              | 1.1                  | 1.8             |
| Lower St. Lawrence...                   | 1.8                    | .7              | 4.8             | 3.2             | 4.0             | 3.0             | 2.7                  | 2.1             |
| Maritimes.....                          | .8                     | .1              | .5              | .1              | .4              | .1              |                      | .1              |
| Total.....                              | 5.1                    | 1.9             | 8.6             | 5.9             | 7.6             | 5.1             | 4.5                  | 5.4             |
| Total November 20, 1963—25.8 million    |                        |                 |                 |                 |                 |                 |                      |                 |
| Total November 21, 1962—18.3 million    |                        |                 |                 |                 |                 |                 |                      |                 |
| Increase over 1962—41%                  |                        |                 |                 |                 |                 |                 |                      |                 |

|                       | Wheat | Oats | Barley | Corn | Total |
|-----------------------|-------|------|--------|------|-------|
| October 23, 1963..... | 3.6   | 6.6  | 4.7    | 1.0  | 15.9  |
| October 24, 1962..... | 1.4   | 3.6  | 3.7    | 2.4  | 11.1  |
| October 9, 1963.....  | 3.0   | 4.1  | 3.4    | 1.0  | 11.5  |
| October 10, 1962..... | 1.4   | 3.7  | 2.7    | 3.2  | 11.0  |
| October 2, 1963.....  | 2.7   | 4.0  | 3.5    | 1.2  | 11.9  |
| October 3, 1962.....  | 1.6   | 1.7  | 2.3    | 3.5  | 9.1   |

So that all western grain, both feed wheat, oats and barley is substantially higher than a year ago, while corn is a little less as of November 20.

Mr. McINTOSH: That is about 25 per cent; does it follow the usual pattern from year to year? You mentioned 8.7 for oats and barley .5 for wheat.

Mr. BARRY: That is right. Do we have the figures on our table for feed grain assistance to reflect these receipts for different grains?



Mr. PHILLIPS: Mr. Chairman, I am looking for the figure.

Mr. McINTOSH: I want to know roughly the pattern, not the exact figures. If 25 percent is wheat, would the balance be for coarse grain?

Mr. PHILLIPS: There are some oats and some barley, yes. I was going to say there was a greater demand for wheat, of feed grades, than there was supply. It is four years now since there was any volume of feed grades in western Canada, and the supply has been below the demand in the east. The supply of wheat in particular determines whether United States corn is brought in or not.

Mr. McINTOSH: In your recollection has there ever been more by way of supply over demand for No. 6 and the lower grades?

Mr. PHILLIPS: Yes, four year ago and earlier than that, they had more than sufficient in western Canada.

Mr. ENNS: My questions are related to the storage problem. You have said that because of the storage policy between October 15 and April 15 there is now a lower price of feed grain, or am I drawing a wrong conclusion? Is it because of the support price? Is it because of the storage facilities?

Mr. PHILLIPS: The storage policy; the assistance on storage between October 15 and April 15. To the extent that the grain was brought down prior to October 15, it is now 60¢ a ton lower than a year ago. The storage factor in the cost has been eliminated, and to the degree it has been eliminated there will not be a rise in price due to the storage factor of cost. This has nothing to do with the market.

Mr. ENNS: Yes, I understand that.

My other question is in order to clarify. Does the policy include full storage cost or just a fraction?

Mr. PHILLIPS: Full storage cost.

Mr. ENNS: Then fluctuation in price would be market fluctuation?

Mr. PHILLIPS: There are two factors in carrying grain; one is interest and one is storage.

Mr. ENNS: Does this storage also apply to feed wheat? You were mentioning oats and barley, but does it apply also to feed wheat?

Mr. PHILLIPS: To feed wheat, oats and barley.

Mr. HORNER (*Acadia*): You were referring to the cost being eliminated with regard to the price and a price increase of feed grain. What is the storage cost going to be to the federal government.

Mr. HAYS: A million dollars.

Mr. HORNER (*Acadia*): In one year?

Mr. PHILLIPS: A little more than a million.

Mr. HORNER: How many bushels of grain?

Mr. PHILLIPS: Between 80 and 85 million bushels used in a full year.

Mr. HORNER: You mentioned feed wheat, oats and barley. What about corn?

Mr. PHILLIPS: No.

Mr. HAMILTON (*Qu'Appelle*): I would like to direct a question to Mr. Hays. Will he give the committee the rates for oats and barley and low grade wheat, and are these rates constant in the whole area.

Mr. HAYS: The rates on what?

Mr. HAMILTON (*Qu'Appelle*): The rates on storage oats and barley. I need not have them now; you can put them in to the secretary and have them appended to the proceedings.

Mr. PHILLIPS: The rate in licensed eastern elevators is a standard rate. It is one-thirtieth of a cent a bushel a day.

Mr. HAMILTON (*Qu'Appelle*): This applies to bulk?

Mr. PHILLIPS: To grain held in any licensed elevator; let us call them terminals.

Mr. HAMILTON (*Qu'Appelle*): Regardless of whether it is in bulk form, or put into sacks, or has other additions?

Mr. PHILLIPS: The storage in elevators is one thirtieth of a cent per day. What the storage costs are when it is in sacks in a feed manufacturer's plant or—

Mr. HAMILTON (*Qu'Appelle*): This is my next question. Could we have a list of locations where these storage payments are made? I am trying to establish if these are made just in licensed elevators or out in the co-ops or private stores.

Mr. PHILLIPS: Just in licensed elevators, and to the degree that winter storage vessels are used to supplement the supply. There is authority for approval of those as annexes in order to provide for this additional capacity in eastern Canada during the winter.

Mr. HAMILTON (*Qu'Appelle*): In that case, Mr. Chairman, I would like to ask that the committee support me in a proposal that we put into the record of the committee today the locations of the licensed elevators in eastern Canada where these storage payments are made. It is very easy to get, and if this could be added as an appendix it would be helpful to the committee.

The CHAIRMAN: Is it agreed that the department should supply the committee with the location of licensed elevators to which the storage assistance is available, and that this information be appended to the proceedings of today's meeting?

Agreed.

Mr. HAMILTON (*Qu'Appelle*): My next series of questions has to do with the Department of Agriculture. I will address my questions first to the minister. The department keeps a record of prices of feed grain in various parts of eastern Canada. Would it be possible for us to get a list of places where the price records are kept? For instance, do they keep one at Granby? Are the prices kept weekly at Granby for oats, barley and wheat?

Mr. PHILLIPS: Mr. Chairman, we do not as a general rule keep retail prices in the department. We have records of wholesale prices and grain prices and some feed ingredient prices, but it is only occasionally that we go out to the country to obtain prices charged by actual retailers.

Mr. HAMILTON (*Qu'Appelle*): My point here is that there has been a suggestion made by a member that prices are exorbitant in certain areas in the province of Quebec, and to get to the root of this matter we will have to get some form of retail prices for the committee in certain areas where these complaints are coming from. I would like to suggest to the committee chairman that the next step in trying to resolve this question of whether these prices are exorbitant is for steps to be taken to locate these retail prices at these mills over a period of weeks at several selected points, at trouble areas. I would like to ask the chairman if that idea is acceptable.

Mr. HAYS: We have some recent figures on this. I think you are asking what happens to a bushel of grain that leaves the lakehead and finally ends up at the farmer's door. I think we have those figures this morning. We follow a bushel of grain right through its various purchasers, and so on, where it is handled and what the various mark-ups are.

Mr. HAMILTON (*Qu'Appelle*): That is what I was after, Mr. Chairman. I am not the one who raises these complaints; they are raised by the member for Megantic, who is not here. I would on his behalf ask if we could get those figures for November 20.

Mr. HAYS: We do not have the figures with us but we can have them for you after lunch because we have followed these up.

Mr. HAMILTON (*Qu'Appelle*): We would like to have them in the minutes so we can examine them in the light of getting further information or, if we were satisfied with the information given, to ask further questions. I would like to see the figures presented and put on the record.

Mr. HAYS: We have enough information. I think this is the key to the whole problem. Everyone is concerned and Mr. Phillips, I think, can give you the figures now. These might prompt some more questions which might help solve the problems with which we are just as concerned as everyone else.

Mr. PHILLIPS: To determine the price of feed grain in eastern Canada it is only necessary to check the paper and find out in the *Gazette* or *Globe and Mail* what is the cash price quoted by the wheat board. Let us take as an example No. 1 feed barley. If you would like to take these down you will have an indication of the cost. No. 1 feed barley, let us say, is \$1.09 in store at Fort William. The first cost there is involved in getting it out of the elevator into the vessels. There are various charges involved; there are elevation charges, cancellation of warehouse receipts, and lake clearance association charges. That adds up to 2.844 cents per bushel. The next cost is the cost of bringing it down the lakes. Let us use Montreal as an example. The rate for barley has fluctuated between 8 cents and 12 cents, so let us use the average of 10 cents per bushel to carry it by lake freight. There is insurance involved and vessel brokerage which comes to about 0.15 of a cent.

Mr. ROXBURGH: Is that included in the 10 cents?

Mr. PHILLIPS: No, that is extra. That is for vessel brokerage or insurance. That then takes the grain into the harbours board elevator in Montreal. Let us say that it goes in on November 15 and comes out on March 20. The cost of storing it there would be four cents. Then it is ordered out to the country and, let us say, goes to the point you mentioned, Granby. There is an elevator charge to take it out of the elevator and put it on the railway car, and that is 1.47 cents. The cost of delivering barley to Granby by rail is 7.2 cents. The broker's mark-up would be approximately one cent per bushel. I do not know what that adds up to, but the government assistance that is paid with respect thereto 19.2 cents a bushel on freight assistance, and four cents a bushel for storage.

Mr. HAMILTON (*Qu'Appelle*): On what is 19.2 cents based?

Mr. PHILLIPS: This covers 12 cents to Montreal and 7.2 cents to the 15 cent rate point.

Mr. HAMILTON (*Qu'Appelle*): Taking a maximum freight figure of 12 cents?

Mr. PHILLIPS: No, 12 cents is for a bushel of barley to go to Montreal—it is 42 bushels to the ton—and \$5 assistance. It works out at 12 cents a bushel on barley, and four cents storage charge. If you make the subtraction, you will find there are probably about five or six cents left not paid in government assistance. Then, when it reaches the retailer, the retailer has the problem of putting it into his feed, or let us say he is going to sell it as bagged grain. He would charge about 7.2 cents a bushel for bags and bagging and somewhere in the neighbourhood of 10 cents a bushel for his delivery to the farm, carrying the credit, and his mark-up. I think that gives you the essential breakdown of the cost of getting it to the farmer.



Mr. HAYS: Do you have those in cents per hundred?

Mr. PHILLIPS: There is one factor of cost I did not put in there. I will use the example I took from November 5 to March 20. There is the interest cost which would be calculated on about 7 per cent interest on the number of days—which is something like 126—on the value of the barley in Montreal. That would work out to about three cents a bushel.

Mr. WATSON (*Assiniboia*): In relation to this same figure, could Mr. Phillips tell the committee what the farmer actually receives for a bushel of barley when it is delivered to an elevator in western Canada? It has been mentioned that \$1.09 was the original starting figure we used at Fort William-Port Arthur.

Mr. HAYS: If you give us the point we can easily do this.

Mr. HAMILTON (*Qu'Appelle*): It is a 25 cent freight rate.

Mr. HAYS: This figure may not be quite as accurate as Mr. Phillips' figure, but on oats I think it was  $74\frac{1}{2}$  cents or  $74\frac{1}{8}$  cents on November 20, if my memory serves me right. That would be equivalent to about \$2.24 per hundred; and this would land oats in Montreal at \$2.57 a hundred. Add to that the various mark-ups to the co-ops and delivery to the customer which might go as high as \$3 a hundred.

Mr. WATSON (*Assiniboia*): But this \$1.09 figure was worked out on barley?

Mr. PHILLIPS: Yes, in store at Fort William.

The CHAIRMAN: I have an indication from Mr. Smallwood that he would like to speak. Mr. Smallwood, was your question relating to this?

Mr. SMALLWOOD: More or less, yes. I have often been concerned about feed grain in the east. Am I right in saying the eastern farmer could buy a carload direct from the wheat board?

Mr. PHILLIPS: The wheat board should speak for themselves here, but I understand that their method of doing business is selling through their agents and their agents are the shippers in Winnipeg. The farmer, therefore, cannot buy directly from the wheat board but they can buy from an agent such as Powell, McCabe or any other agent in Winnipeg. They normally do not buy in that fashion anyway; they buy from the eastern grain merchant who has connections in Winnipeg.

Mr. SMALLWOOD: That is the point I am getting at. I know they do not buy from the wheat board, but if they brought from wheat board agents could they not save themselves all this exorbitant price by supplying their own storage facilities, as we do in western Canada, and buying a carload when the price is down, supplying their own storage? Could they not save themselves a great deal of money if they are being pushed around by the feed agents?

Mr. PHILLIPS: They could buy in this fashion but it is not normal.

I think it is only fair to say that the eastern grain merchants and even the western grain merchants are only as good as their salesmen, and to the degree that they bypass the salesmen, they feel they are not doing the job that is called for.

What happens is that there are a number of farmers who do buy directly from let us say, brokers or agents. When they do, they do save if they bypass bagging and so on. But you can buy through the retailer and bypass the bagging. You could buy from a retailer and take it at an elevator, and pay cash, and it would only be a fraction of a cent per bushel. But they want the service of the retailer and the credit provided, and therefore there are these other costs.

Mr. SMALLWOOD: It appears to me if they would provide their own storage they would save themselves money. If they were educated to provide their own storage as we do in the west, would they not save a great deal of money?

Mr. HAMILTON (*Qu'Appelle*): We have the figures for No. 1 feed barley; and I add them up to a certain figure. I have not had this confirmed by anybody. I would like to see these figures in the records worked out in table form showing what the government now pays to reduce the price, not only in dollars and cents per bushel but per 100 pounds, which makes sense down here. Secondly, I would like to see this done for oats, using approximately the same period of time, and then a feed grade of wheat. If we had this done on a bushel basis and 100 pound basis we would begin to have the basic information. Could I assume this will go into the record without taking up the time of the committee.

Mr. HAYS: Yes, we can supply that.

Mr. HAMILTON (*Qu'Appelle*): I would like to ask a key question. What we have learned today is that the government now pays freight to certain licensed elevators and that you are trying to work out some sort of system for freight to take it beyond the licensed elevators.

Mr. BARRY: Mr. Hamilton, I think we must avoid confusing storage assistance and freight assistance, which are two different components of the feed grain policy. Reference to the licensed elevators has only to do with payment of storage assistance. Freight assistance at the moment remains as it was. It is not necessarily tied to licensed elevators, although the matter we are exploring is a revision of a freight assistance mechanism to relate to water movement instead of just to rail. But the freight assistance is not only tied at the moment to licensed elevators.

Mr. HAMILTON (*Qu'Appelle*): I gather we are paying freight from Fort William to terminal licensed elevators along the river. The example is given of paying 7.2 per bushel to Granby, for example. Let us say the grain is paid into the main distributing centres in Canada.

Mr. BARRY: The present assistance arrangement is that feed grain comes into the Montreal freight rate zone, which includes all of Ontario and points in Quebec including Montreal, on a direct line from the west. Basic assistance is \$5 per ton for this grain, to which we now add the furtherance from Montreal to Granby because Granby is beyond the Montreal freight rate zone. So the figure Mr. Phillips gave you is \$5 per ton basic, plus furtherance to Granby.

Mr. HAMILTON (*Qu'Appelle*): You are still using the zone approach?

Mr. BARRY: Yes, in the sense of the Montreal freight rate zone.

Mr. HAMILTON (*Qu'Appelle*): What is being done now is an attempt to pay bulk charges for moving the grain into eastern Canada, and that includes furtherance to places like Granby. Secondly, storage is paid solely at licensed elevators which are on waterfronts, either Montreal, Three Rivers, Quebec, Baie Comeau or down in the maritime areas. Is that right?

Mr. BARRY: The whole Bay part and St. Lawrence system, yes.

Mr. HAMILTON (*Qu'Appelle*): But there is nothing paid to an elevator in Granby for storage?

Mr. BARRY: No.

Mr. HAMILTON (*Qu'Appelle*): The third point is on pricing. Since the government now pays the cost of freight to the centre of distribution areas and, secondly, pays storage at the licensed elevators, and since price is still based on

the marketing mechanism, if there is plenty of grain on hand the price will tend to be the competitive price in that area. But if there is a shortage of grain in a locality, then the tendency of the grain price will be to go up on the basis of shortage in the locality; is that not correct?

Mr. PHILLIPS: That is correct, Mr. Hamilton.

Mr. HAMILTON (*Qu'Appelle*): So, in answer to the question of the member from Nicolet-Yamaska, the price structure is based on the competition of supply and demand. The competition of supply and demand decides the price at a local level?

Mr. PHILLIPS: You made the point, Mr. Hamilton, that if there was a shortage in a given area below demand, the tendency would be for the price to go up, but a policy designed to see that the supply is sufficient compensates against that. You do not want opinions here, but I suspect we are going to have more than sufficient grain this winter in eastern Canada; and to the degree we have, you will not have the situation that you have mentioned. If you have an excess, you will not have a shortage.

Mr. JORGENSEN: In effect, then, there is a degree of stability in the prices today, is there not?

Mr. PHILLIPS: That is what I would say, yes.

Mr. JORGENSEN: Then this is in contradiction to what the minister said.

Mr. HAMILTON (*Qu'Appelle*): No, what Mr. Phillips has said is that if you give inducements to move grain into position, the fact that there is a surplus of grain on hand in a nearby centre, such as Three Rivers or Quebec or Montreal, would have a tendency to keep the price down. The surplus grain would be within a hundred mile radius of the centre of distribution. This is the point he is making, and it is very important.

What I am also saying, though, trying to get a slight amendment to that theory, is that or even for a month or so—if there was a temporary shortage in a local distribution area there could be a temporary escalation of prices. This is what I was trying to establish.

Mr. HAYS: This could well be, but I think it is quite hypothetical. I do not think this would be a serious consideration over the long pull. I think paying the storage makes for stability in so far as prices are concerned. Certainly we know we are going to have ample grain on spot. It seems to me that this just will not happen; if it does happen it will be in a very isolated case and a very isolated condition.

Mr. HARKNESS: This would come down, would it not, to the amount of competition in any particular place as far as feed merchants are concerned? If you have only one or two feed merchants you would be much more likely to have an increased price than if you have a dozen competing in the same area?

Mr. BARRY: In connection with the point of Mr. Harkness and Mr. Hamilton—and again I am giving an opinion if the committee will excuse me—we do assume if there are adequate supplies in terminal, key positions from which the east is supplied, Montreal, Prescott and so forth, there can hardly be shortage in the country because supplies can be drawn in very shortly from terminal positions.

The CHAIRMAN: Have you concluded your line of questioning?

Mr. HAMILTON (*Qu'Appelle*): No, but I do not want to rob anyone else of time.

The CHAIRMAN: I am going to call on Mr. Pigeon, but before I do so, does the committee agree that pricing of barley, oats and wheat to eastern Canada will be supplied by the department and appended as an appendix to the proceedings?

Agreed.



Mr. VINCENT: I would like to get that in tons because we are always looking at it in tons in eastern Canada—in tons or per 100 pounds.

Mr. BARRY: It will be supplied in bushels and hundred pounds.

Mr. WHELAN: Could the price of corn not be put in there for eastern feeders?

Mr. HAYS: Yes. It is a little different.

Mr. BARRY: Corn is different because freight assistance or storage does not apply.

Mr. PIGEON: I have a question. What is the difference in price if we take feed grain from Fort William to Montreal by water and by express car load?

Mr. PHILLIPS: Using that 10 cent lake rate, which is a good average for barley, it would be \$4—and I am not including in that brokerage and so on. By rail it would be \$13.20 per ton.

Mr. PIGEON: Do you think it would be possible for the government to create more storage facilities in eastern provinces in order to permit feed grain to be carried only by water?

Mr. PHILLIPS: No, Mr. Pigeon. The question was asked whether elevator facilities were adequate or not. These elevators which have been built by private and government funds at the key locations, taking the example of Quebec, carry the supply for the whole province and the freight assistance is paying the movement to the location. The question is, should we have another storage spot? One that comes to mind, and I know it was asked here earlier, was one in, say, Lake St. John. If you build an elevator in Lake St. John it would probably cost \$2.50 per bushel to build. Let us say they want a 200,000 bushel elevator. You have  $\frac{1}{2}$  million spent on that. You then have to look at the business that is in that area. Let us say it would supply an area of 30,000 tons per annum. You have a write-off of this  $\frac{1}{2}$  million and it would work out at somewhere around \$4 per ton for anyone to carry that. The freight assistance is paying the movement to Lake St. John area, and the freight assistance is around that figure; so then a decision has to be made whether it is cheaper to not pay additional freight assistance to Lake St. John area and put up an elevator if it is in the public sector.

Mr. PIGEON: Yes, I ask this question because I think, if government takes the responsibility of building warehouse facilities in Lake St. John probably that will cost  $\frac{1}{2}$  million or \$1 million, but that will be a permanent warehouse which will permit grain to be carried by water. I think the eastern farmers would thus save a great deal of money.

Mr. PHILLIPS: Mr. Pigeon, there are water carriers and water carriers. There are those which carry a million bushels and those which carry 500,000 bushels; and there are also those which carry 120,000 bushels. The figures I have given you are figures for those which carry a million bushels. If you have an elevator in Lake St. John that cannot take a million bushels, because they do not need a million bushels, then you are going to pay the higher rate by water. Therefore, it is much better to get a million bushel vessel to Quebec than a 100,000 bushel vessel to Lake St. John because of the additional water cost. These figures are based on a high level carrier, a million bushels down to 500,000 bushels. This is the problem that one faces in deciding whether there should be a lot of little elevators. They would have to take canallers, and there are a very few of them left. The costs associated with small vessels, because of demurrage clauses and so on, I would estimate would be in the neighbourhood of \$9 per ton by water to Lake St. John.

Mr. PIGEON: Yes, but it is a fact that if the government creates more storage facilities in the main centres such as Montreal and Quebec city, the carriage of grain will be possible by water only. I am sure the farmers will benefit from a reduced price and that will help the eastern farmers.

Mr. PHILLIPS: Mr. Pigeon, all these factors of cost have to be taken into consideration. You cannot ignore the water cost and say "Well, it can go by water and therefore they would save money." It is a matter of the rate at which it will go by water. I tried to point out that it is much better to get something at Quebec at \$4 per ton, and freight assistance takes it up there, than to get it at \$9 per ton at Port Alfred, let us say.

Mr. VINCENT: If I understand correctly, this means that in the coming winter we will not have to obtain grain from Fort William by freight.

Mr. BARRY: I think it is most unlikely that we will have to get any grain by rail. If I may say so, Mr. Chairman, this indeed was one of the prime purposes of the policy of paying storage assistance. Normally, if I may just say this briefly, the tendency has been on behalf of eastern buyers and western shippers to delay the shipment of winter supplies until towards the end of the shipping season because they have to pay the storage charges once they take possession. Navigation closes some time in the first part of the month of December. We deliberately started this storage assistance policy on October 15 to encourage an early movement, and certainly this year we have had an early and a large movement. Periodically in the past there have been occasions when they have had to rely on rail movements to supplement what was put into position by water, because of the trade having to bear their own storage costs, and having to bear the possibility of lower prices. The prime purpose was to avoid this; and my feeling is that the stocks we have in the east are certainly adequate and that there will be no need to go west for supplies this winter.

Mr. VINCENT: As a farmer, I have many times heard the statement that now navigation is closed it is necessary to charge \$8 more per ton for grain because it has come by rail. So this statement will not be valid any more.

Mr. BARRY: I hope not.

Mr. VINCENT: I hope not.

Mr. ROXBURGH: What happens to the grain now you have a surplus? Until the present time there has not been a surplus and this is what has happened. All right; now we are putting in more grain and there is going to be grain left over, so who pays the storage for that grain in the summer?

Mr. BARRY: The owner.

Mr. WHELAN: I want to ask one thing. Would it not be possible to have a really plain printed price list publicized for grain in these elevators, a list which does not include the ramifications of all these figures? I suggest this so the farmers in eastern Canada could understand more easily. I suggest just a plain figure which they could easily see and know who was getting the mark-up. If this was publicized, in my opinion it would have a policing effect.

Mr. HAYS: This is public information now, of course.

Mr. WHELAN: It is not publicized as much as it should be. When all the grain figures are included and so on and so on, although the really expert grain buyer or feeder will do this, the average farmer will not do this unless it is published in really plain figures.

Mr. BARRY: Mr. Chairman, Mr. Whelan, there are some difficulties here. I think we would fully agree that the more information we can get for people, the sounder position we will all be in, but there are various factors that enter into this which do create some difficulties.

In the first place, a very considerable percentage of all the feed bought by farmers is in the form of mixed feeds; it would be well over 50 per cent. Can a farmer relate grain prices to a mixed feed price which has all the supplements and proteins added? Even within whole grains we can break down a figure and arrive at an end figure such as Mr. Phillips worked out here, but suppose



a feed merchant is carrying a farmer for six months on payments, and he has interest charges and this kind of thing, are we putting a false picture into the minds of the farmers if we decide to get a simple breakdown like this? There are other costs involved such as delivery costs and this kind of thing which make a little reservation about putting figures out which do not represent a whole and complete picture, and that is quite difficult to do.

Mr. VINCENT: Most farmers know that to make a ton of mixed feed it takes a bag of barley, five bags of oats and two or three bags of supplements. They know that and they can add the prices. They know exactly what the mill man is doing on that.

Mr. BARRY: If they know the cost of the supplements—

Mr. VINCENT: They know the cost of the supplements too, and if they do not, they can find it because they can ask for it.

Mr. WHELAN: If farmers are going to be in business they have to be—if Mr. Phillips will pardon the expression—more or less economists or else they will not be able to stay in business for very long. They consider this for themselves. As far as I am concerned, from my experience I can say that there has been too much of the “Oh, navigation is closed and you people are going to have to pay more for grain” on behalf of the brokers in the past. They have actually created false increases in the price of grain, not just on account of all the other ingredients which may go into grain which we know fluctuate to a certain extent. I remember when soybeans fluctuated and prices of feed changed from day to day. At that time there was not much they could do about it, but there are times when they take advantage of fluctuations in the price of one ingredient to increase the price of a whole per ton lot.

There is another point I would like to mention. I do not think it is right that there should be storage assistance for some and not for others. I think it is a matter of discrimination. I produce corn and I do not see why my grain should not be subsidized for storage in eastern Canada. There is a great deal of corn produced in Ontario for feed although not as much as in western Canada. Corn is not produced in surplus in Ontario and it could be produced in higher quantities. I cannot understand why we do not have storage paid on this just as the other grains used in eastern Canada. Would someone care to comment on that?

Mr. PHILLIPS: I could comment in this way. I do not think there is any question of discrimination against corn. The whole subject of cost of feed has been pointed out here as being associated with whether it will have to be railed from the west during the winter or whether it can be brought in by water. They do not bring corn by water; it comes by rail and it can come in winter and summer—and that is the way it does come. The purpose of this was to get the grain down from western Canada by water to the degree that they used western Canadian grains.

Mr. BARRY: It is for winter requirements during the closed navigation season.

Mr. PHILLIPS: Yes, for winter requirements during the closed season. Corn is moving daily from Chatham to Montreal and therefore there is no necessity for this.

Mr. WHELAN: They have not moved any corn out of Wallaceburg or Port Stanley to Montreal.

Mr. PHILLIPS: In the old days they tried to make up a load from Wallaceburg and Port Stanley and they had trouble getting a small enough vessel.

Mr. WHELAN: We have a good rate for corn this year in eastern Canada; it is storage about which I am complaining. The corn producer is put at a



disadvantage, and it is one of the highest energy foods one can feed to live-stock.

Mr. PHILLIPS: For the last three years the competition Ontario corn has had has been from United States corn, and there is no storage paid on United States corn.

Mr. WHELAN: I do not think there should be.

Mr. PHILLIPS: There is a problem of differentiation in corn.

Mr. VINCENT: Would it be possible before you put the figures in the record to give us the difference in prices between, for example, No. 1 feed grain, No. 2 feed grain and No. 3 feed grain, because we have spoken of No. 1 feed barley, No. 2 feed barley and No. 3 feed barley, and all these grades.

Mr. PHILLIPS: I think we could give a price on one and then give a differential.

Mr. VINCENT: Yes.

Mr. WHELAN: I would like to revert to the matter of corn. Dr. Barry says one cannot figure out the difference between Canadian and American corn. I know that you can. By testing it you can differentiate between it, especially if it is going to industrial manufacturing. For example, I know that our corn will make more alcohol per bushel than will American corn. We have had the distillers run this test for us and we know that. I do not like the theory that there is no difference. One person in this room knew there was a great deal of difference when he paid the freight on American corn and saw the results. I do not think it is right that we are not getting storage assistance in the south-west Ontario region, and do not tell me you do not know the carload lots. Canadian corn producers are definitely at a disadvantage if you do not differentiate between them.

Mr. BARRY: I grant, Mr. Whelan, it may be possible to know and separate a cargo of Canadian and United States corn. This storage policy, however, is designed specifically to take care of the fact that western grain cannot be brought to eastern Canada in the closed navigation season except at high rail rates. If I may draw an analogy, also involved in our total feed grain policy is the movement of western grain to British Columbia. This movement takes place by rail. There is no water movement involved. As British Columbia needs it, they order it from Alberta and we do not in this case pay storage because there is no water movement involved. It is only in eastern Canada that this is involved, and it is done in order to take care of the situation arising out of the fact that for five months of the year it is brought in by water or it is necessary to pay three times more and bring it in by rail. It is to assist and encourage the storage.

Mr. PHILLIPS: The corn rate that they have obtained from western Ontario is, as you have indicated, a good rate. If you had to accumulate supplies at a given destination, there would be involved costs of freight from the country to that point, plus the water rate. They have concluded that, even for wheat shipping to Montreal, they are better off to ship all rail with the rate they have obtained and eliminate this added cost of accumulation.

Mr. WHELAN: This is perhaps out of the Department of Agriculture sphere, but at Saint John, New Brunswick, there is no boat unloading facility. Are such facilities contemplated, or are you recommending that they should be put in?

Mr. PHILLIPS: That is a matter for the national harbours board down there. The national harbours board and the C.N.R. own elevators. This certainly was looked at and it was looked at in the context of the cost of putting facilities in at say Lake St. John for that purpose, and it was decided that the cost would be greater than the cost of freight. You have a situation in which you

have tides at Lake. St. John. You should ask the national harbours board about this, but at a rough estimate I would say the cost would be \$1 million to equip.

Mr. WHELAN: With the elevators that are there?

Mr. PHILLIPS: There is a geographic problem. There are two elevators, one owned by C.N.R. on the east side of the harbour and the other, which is the national harbours board elevator leased to C.P.R., on the west. That is the larger one. The other one is a small one but is closer to the feeding area. It is not large enough, however, to carry any volume. I think it is a half million bushel elevator. It is quite useful for export of grain but if you were to equip that for domestic purposes it would cost, not taking into account any additional space that might be required, about \$1 million to equip it for grain taken from the vessel and put into cars or trucks.

Mr. WHELAN: Are there any facilities there for truck loading?

Mr. PHILLIPS: There are no facilities for unloading on the land at all.

Mr. BARRY: It is for arrival by rail and movement out by water.

Mr. NASSERDEN: Is much of the grain in storage at eastern points held by the wheat board or have there been purchases by companies who hold title to it?

Mr. PHILLIPS: In eastern Canada?

Mr. NASSERDEN: Yes.

Mr. PHILLIPS: The wheat board sells at the lakehead wheat, oats and barley. They do not hold title to grain in eastern Canada.

Mr. NASSERDEN: It is all held by someone else?

Mr. PHILLIPS: It is held by someone else.

Mr. HAMILTON (*Qu'Appelle*): Is that true in all cases? Has it been true in all cases over the past two or three years?

Mr. PHILLIPS: As far as I know, back as far as war time, there was no government agency holding domestic grain in eastern Canada. I think, Mr. Hamilton, what you are thinking of is that there has been a deferred pricing system on feed grades of wheat, but it changes title at the lakehead.

Mr. HAMILTON (*Qu'Appelle*): And it is not possible and not a practice to have feed grades of wheat in position at Montreal to the wheat board account which may be transferred to the domestic?

Mr. PHILLIPS: It happened this year but rarely does it happen that they find they have a feed grade of wheat in eastern Canada, destined for export, that they sell to the trade.

Mr. HAMILTON (*Qu'Appelle*): In any cases have the wheat board put feed grades of wheat into eastern terminals on their account?

Mr. BARRY: I think it would be better if this question was directed to the wheat board when they are here. My understanding is that the wheat board definitely does not put oats and barley in. There may have been occasions when they have had wheat cargoes in eastern Canada, but I think the wheat board could probably deal with this more specifically.

Mr. HAMILTON (*Qu'Appelle*): I wonder if we could slightly change our tack a little before we lose our quorum. There was a question in our last meeting about the confidential report on storage. There was a departmental committee under the direction of the treasury board, and the question arose whether one of the witnesses—Mr. Baxter—could give evidence from that report. If you recall, I took the position at that time that I thought the witness should be protected and have his ministry here to say how far he could go or if he could go at all. If all other aspects are concluded, I would like to revert to that question.

Mr. VINCENT: I would like to ask this question: Is a broker able to buy directly from a farmer, let us say, in Saskatchewan?

Mr. PHILLIPS: A broker from eastern Canada? No.

Mr. VINCENT: Is a farmer, let us say in Saskatchewan, able to sell directly, without going through the board, to another farmer or to a company there?

Mr. HAYS: In Saskatchewan, yes.

Mr. VINCENT: In one province?

Mr. HAYS: Yes.

Mr. VINCENT: This brings me to a question which is related to the free sales of grain in the western provinces. Is it true that those sales affect the great lakes, that the unfair competition between producers of eastern and western Canada affects the cost price of a pound of meat produced in the east compared with one pound of meat produced in the west? This is a big question we are discussing now in my province. Maybe you have heard about it.

Mr. PHILLIPS: Yes, I heard about that, Mr. Vincent. Let us look at it in this way. There are about 350 million bushels of grain annually left on western farms or sold inter-farm. There are about 10 million bushels of grain that are sold so-called non-quota. So the eastern complaint is that this 10 million bushels that are sold by the wheat board non-quota is ruining eastern agriculture. This represents 3 per cent of what is fed or used in western Canada. Those are the facts.

Mr. VINCENT: Many people say these figures are not exactly correct.

Mr. PHILLIPS: I know they have said so, and they have said it to me. They have told me that these figures are not exact; the 10 million figure surprises them. They think of eastern feed business, and therefore this surprises them, but they only have to look at the figures of feed business in the prairie provinces to realize that these figures are not surprising—and by feed business I mean that which goes through feed merchants. If they look at that they will find it is roughly in the same proportion. It only takes 10 million bushels to supply western trade whereas it takes many more millions of bushels to supply the eastern feed trade.

Mr. VINCENT: Do you think it is possible to do something to put these 10 million bushels on quota and in this way give satisfaction to the people in eastern Canada? Will that affect farmers in western Canada greatly?

Mr. BARRY: This again is a matter which I think you might appropriately raise with the wheat board, because this is a wheat board policy. However, the wheat board does procure information regularly from these non-quota mills with respect to the prices they are paying for the feed grains they buy ex-quota from farmers. I do not know that we have these figures here but we can give them to you.

Mr. VINCENT: I have them in my office.

Mr. BARRY: These do not show, to the extent to which these feed bills are part of the western feed business, that they are producing feed grains at distress prices at all. Indeed, in many cases they are paying the full market price and more for the grains they are buying. We all know that there have been instances in the west some years ago when there were surpluses and there were low prices for local sales. This occurs between farmers probably more than from farmers to feed mills, in fact. The information we have, based on the data which the wheat board collects, does not show that at the present time these are paying anything like distress prices, and in many cases they are paying more than the farmer would get from the wheat board.

Mr. VINCENT: I brought this up because it is a point which is mentioned by those who are objecting to the marketing of grain by the wheat board. They say we should take the grain off the board and they take this example to



point up their argument. We hear a great deal about that. They say if it is possible for western farmers to buy directly from another farmer, we should do the same thing in eastern Canada. So I was just wondering if this quantity of grain was enough to put the eastern producer in unfair competition.

Mr. HAYS: There is an answer which I think Mr. Phillips has not given in connection with price.

Mr. PHILLIPS: Let us go back and review what happened before this non-quota situation. What happened before? We were supposed to sell to the wheat board only, and the wheat board had its agents at country elevators. People who were not agents of the board were buying it. The board did not have control over them and it required provincial legislation to do something about it.

The agricultural committee went over this matter. The decision was subsequently arrived at by the board that they would allow sales of non-quota grain under certain conditions. As a result, the price of this grain has gone up. Because the volume has increased to 10 million and there has been a greater demand, the price has gone up. To the extent the price has gone up, it has helped the eastern man. That three per cent that is used for feed is only three per cent of the total that goes in this fashion, and I would not think three per cent has any great significance—and it is higher in price.

Mr. JORGENSEN: It might be significant to point out that in western Canada one farmer has always had the right to buy from another farmer. This is not a new innovation. The only difference is now that a feed mill can buy directly and sell to another. A farmer could buy it, take it to the mill, have it processed and take it home. The only difference now is that the feed mill can get the grain, process it and sell it to the consumer.

The question I want to raise concerning facilities in eastern Canada is what percentage of those elevators are government-owned and what percentage are commercial?

Mr. PHILLIPS: There is a long list of elevators here that are eligible for carrying domestic grain. They do not all carry it, but we have a list of 28 elevators in eastern Canada who are eligible. There are five government elevators.

Mr. JORGENSEN: The government is paying storage to itself, then?

Mr. PHILLIPS: That is one way of putting it.

Mr. WHELAN: I did not understand clearly what Mr. Vincent said, but if I understand this correctly, in western Canada if a farmer wants to get some ready cash there is always a ready market for his grain. Say his quota is used up and he cannot sell his grain, he can sell it for about half price to another farmer or feed manufacturer quite readily. That is the case, is it not?

Mr. PHILLIPS: That was the situation. I remember years ago they used to speak of getting grain at a cent per pound.

Mr. WHELAN: You mean it does not exist now?

Mr. PHILLIPS: The sales are made but the price is not at that level; it is considerably higher.

Mr. WHELAN: But still lower than other sales?

Mr. PHILLIPS: We made a check at various locations and found the money a farmer was receiving for grain non-quota had reached a point which was roughly equivalent for what was received, initial price plus final return, from the wheat board.

Mr. ROXBURGH: If we get to the stage at which farmers cannot deal with each other, then I think we are getting down to straight communism. Here in eastern Canada we certainly deal back and forth to advantage over retail and over wholesale. We have to have some privileges for dealing in this manner.

Mr. WHELAN: I think Mr. Roxburgh is making another sensational statement that will probably reach the press, but I am saying that wheat is sold at depressed prices. The buyer of that wheat does not necessarily get the advantage of the cheap price that the feed manufacturer pays. These prices are not controlled; they are sold for whatever he can get for it if they are sold off quota. There is evidence that it is sold at as low as half the price. This can have a wholly depressing effect on the market for all the people in agriculture in Canada, whether they are in eastern Canada or wherever they may be. Even in a democratic country we have to have control for the preservation of democratic rights of citizens, so the ordinary little farmer is not put out of business by a great big monopolistic integrated system of agriculture.

Mr. JORGENSON: The record should be kept straight. It was always possible for one farmer to sell to another. As a matter of fact, individual farmers in western Canada buy more than most of the feed mills buy. What you are suggesting, Mr. Whelan, is that you deny the small farmer the chance of buying his grain through the feed mill, the same chance as the bigger farmer has who owns his own facilities. It is discrimination against the small farmer not to let the feed mills buy grain off quota.

Mr. WHELAN: I am saying that, for the good economic position of agriculture, this is not a good principle for them to follow.

Mr. NASSERDEN: In regard to this matter, it is true there was a time when grain was selling for practically half of what you could realize at the Canadian wheat board, but that was at a time when there was congestion of all the facilities in western Canada. That has not been the case in the last couple of years and I do not think it is going to be the case this year judging by the sales we have.

Mr. PHILLIPS: I might give one example here. We used a figure of \$1.09. That was the price of barley in store at the lakehead, and that is roughly the non-quota price for barley. In Winnipeg just recently the price was \$1.00 which is about 25 cents above the initial payment.

Mr. HAYS: The situation is the same in every province in so far as the movement of grain from one farm to another. The same condition exists in Ontario as in Saskatchewan, Alberta, British Columbia, and Prince Edward Island. I rather think the farmer knows the value of the grain, and if there is any chance of getting the highest price he does so; he watches it pretty closely.

Mr. ROXBURGH: If he does not, he should not be in the farming business.

The CHAIRMAN: Members of the committee will recall this matter was discussed when the board of grain commissioners were before us last week. Now the ministers are here, with the leave of the committee I will ask Mr. Hamilton if he would like to continue with the line of questioning that we postponed for this meeting.

Mr. HAMILTON (*Qu'Appelle*): What I was trying to do at the last meeting was to have put on the record all the information I could in order to try to clear up what has developed in the last number of years to the extent that the system we have of marketing in western Canada, through the board of grain commissioners and the wheat board, was harmful to eastern farmers. My questions were recognized, I am sure, for what they were—as leading questions to adduce this information.

Some members asked about storage facilities in eastern Canada and the witness at that time, Mr. Baxter, who is here, found it difficult to answer because he found himself running into an area of an interdepartmental committee which was set up by the treasury a couple of years ago to try to get the answers to this question. There is an interim report available now. The committee powers are wide and we have the right to ask for almost anything, but only the minister can declare what is in the public interest, so can we



bring it down to a question of yes or no and ask the department to prepare for us a summary of these interdepartmental committee report findings?

If this committee has set itself the task of resolving the problem on supplying eastern grain markets, I think the report would be relevant, but you as minister will have to decide what sections of the report it would not be in the public interest to publish. Much of the information we need is of a factual sort and it will be there in the report. I would like to ask, and I hope someone will support me on this, if we could have a summary from the department of this interdepartmental report which at the present time is marked secret.

Mr. HAYS: Mr. Chairman, in answer to the hon. member, this report was a report to the minister of finance through the treasury board, and it is my understanding that I would be the wrong person to ask for the tabling of this report. In any event, as interdepartmental reports are documents of a secret nature and cannot be tabled or disclosed, I would have to take that stand. I was not here when Mr. Baxter appeared before, but I read the evidence in the proceedings of the last committee meeting. I would have to take the stand that any such documents could not be tabled.

Mr. HAMILTON (*Qu'Appelle*): You have made your statement on behalf of the government, but before we close this matter, I wonder if we could not state our case here.

This report was prepared at the request of the treasury board because there had been requests from the national harbours board and from the minister of agriculture then in charge of the Canadian wheat board that this information be made available so we would have some information on which to plan. In the collection of this information, the data are secret; but this has been in the hands of the government since December, 1962, and this is now December, 1963. Surely, if we are to have the powers of a parliamentary committee to examine all facts bearing on the question of supplying the eastern feed grain market, we must have information on which to base our conclusions, and one of the relevant questions is with regard to material which surely is contained in this report.

As the minister will realize, I have had the opportunity of reading this report, and I am saying that we must require all the information that is available. The information up to the point of the report is available. I would therefore like to suggest there is nothing in that report that it would be harmful to the public interest to publish. There is information that does deal with storage facilities that might be connected with individual areas, but there is nothing harmful. The only disadvantage could be in giving information to our competitors in the United States; but to take refuge in the power you have to declare something is not in the public interest because it is prepared by a group of officials I do not think is good enough. I do not think we have any choice but to apply pressure by every means a committee has available to it and by every means a member of the House of Commons has available to him, to get this produced. We are not asking for a full report; we are simply saying we want those parts of the report which can be published without harm to the public interest. I think the minister would have to give a very substantial reason to satisfy us that it should not be published. If we are to do our duty here, we have to have the basic facts; otherwise the whole parliamentary idea collapses.

Mr. SOUTHAM: I would like to interject a comment here. I was one of the members who sat on the last committee when we had the board of grain commissioners before us, and I think I initiated this whole matter by asking the question whether the storage facilities were adequate at that time. It was not asked only with the thought of having sympathy for western farmers and the feed situation but because, coming from the part of Canada from which I come, I felt there was a certain amount of discrimination at the time against a large



section, a geographic location—and I am thinking of the sale of export grain and the quota system upon which the wheat board works in as much as it affects farmers. Consequently we are denied access to cash due to the method of sale of the products at the present time.

My question, as I say, was prompted by the fact that we have had these unprecedented wheat sales and, looking into the future, we anticipate a continuance of them. To facilitate even an increase of these sales and to make our domestic Canadian grain supplies available to world markets, not only eastern Canada but to world markets, we are asking ourselves these questions. We are growing up in the export market and establishing a reputation for producing top quality grain, and we are likely to have continuing and increased demands. Therefore I think the whole situation bears investigation, as the hon. member for Qu'Appelle has pointed out. I would like to have this information.

The CHAIRMAN: On this particular point I appreciate the argument and the matters advanced by Mr. Hamilton and Mr. Southam, and I appreciate that there are others who may associate themselves with those arguments. On the other hand, we have heard the position taken by the minister, and I think we have to give considerable weight to it.

I have just spoken briefly to the minister here, and I wonder if we can proceed at this time without making a ruling or establishing a precedent with reference to this report? The minister has indicated to me that he is prepared in a general fashion to give the information the committee requests. I think the minister would want to reserve the right, as he has indicated, to take the position that the answer to a specific question may involve a portion of this report that it is not in the public interest to reveal, but it may be that the minister and his officials can give the committee an answer in a general way without interfering with public interest. It may be that they can give us such information as the committee requires. May we proceed?

Mr. HAMILTON (*Qu'Appelle*): This is exactly what I asked for. I simply asked if it would be possible to get a summary report that gave the answer to what the committee is trying to find out: Is there a shortage of elevator capacity in any part of the feed area? I also made it very clear that I would not ask the minister for anything the minister has the right and duty not to divulge in the public interest. However, having put myself in the position of knowing what is in the report, and knowing there are only one or two things that it would not be in the public interest to divulge, I think we should be able to get the information required. I am only trying to get it into the evidence so the committee can effectively deal with the problems. I am not a hostile questioner; I am merely trying to establish that there is a misunderstanding with regard to the matter of feed grain.

Mr. HAYS: On this basis, if this is satisfactory, we are prepared to give you some of our opinions in regard to storage space and that sort of thing.

Mr. HAMILTON (*Qu'Appelle*): I do not think you can do it in a minute, and I would be prepared to have this in a summary form at a later date. I imagine it would take a couple of days to prepare a summary.

Mr. BARRY: Mr. Chairman, I suppose there is involved here the fine point whether a statement of this kind will refer specifically to the report or whether indeed it is in reference to the situation which might be the same as in the report. What I am going to say now may not greatly differ from what is in the report.

The situation generally is that in dealing with storage facilities in eastern Canada one is concerned not only with the present but with the possible future requirements, and these become a matter of assessment. There are many in eastern Canada who feel there is going to be a trend toward increasing

production of feed grain in eastern Canada itself, but in spite of this the east inevitably is going to require continuing supplies of western feed grains. The general position at the moment as I understand it is that elevator facilities, even in a year like this, could take care of requirements of the east for western feed grain, and we are referring specifically to the winter requirement when these volumes have to be stored. It is reasonably adequate through the Bay ports and down through the lakes. Prescott, which serves eastern Ontario and to a certain extent the maritime provinces, and a little into western Quebec but not much, is a point of pressure. Almost every year the facilities at Prescott are supplemented by placing vessels with cargoes there for winter storage.

The national harbours board have recently completed an extension to the Montreal elevator of some 5½ million bushels, and their plans are to add two million bushels to the facilities in Quebec city. I am sorry, I cannot tell you how far they have progressed at the moment.

The question arises, and it is a judgment question, whether it is desirable to concentrate the facilities at the major ports or to have facilities at more outlying places. This is a subject which we were discussing earlier and for which there are pros and cons both ways. It is my judgment that at present, with the additions in Montreal and additions proposed in Quebec, the only point of difficulty through the lakes and down the St. Lawrence is at Prescott, and this as I say has been met up to the moment by the use of vessels for winter storage. When we come to the maritimes, we are faced with a position again of some indefiniteness. If the Halifax terminal is not required extensively for export grain, if the export movement is not heavy, it is adequate to take care of the large percentage of winter requirement for maritime provinces, recognizing obviously the facilities in Quebec city. If Halifax is used heavily for export movements, then this may require continuance of the practice of drawing some grain by rail from points such as Prescott over the winter months.

The question of the desirability of dividing facilities at smaller points in the maritimes is one of the same type of debate as we had in respect of Quebec. One company has put in facilities at Summerside, P.E.I., to discharge cargoes by water there.

That, briefly, is a summary for the committee, Mr. Chairman, of the way we in the department see the situation at the moment. I think there would be no reason, Mr. Minister, why we could not summarize this in a way which would probably reflect the views contained in the report without actually quoting the report as such, if this would be agreeable to the committee.

Mr. HAMILTON (*Qu'Appelle*): This is precisely what I wanted, Mr. Chairman. I am not apologizing for pressing because I knew what was in the report, and there is nothing in there except those two points. If we receive that information and enough background material to buttress it, then I think the eastern members would have more material on which to base a recommendation for eastern grain policy.

I would like to thank the minister very much.

There is only one point on which I would like to question the minister now. In the projections for the year 1975 is there any question that more storage is needed if an assumption is made that the St. Lawrence system exports run at, say, a much higher level for the next five years or ten years than in the previous ten years? I am trying to say that the export picture in Europe for the next ten years is such that we have to assume fairly sizeable exports, much closer to the capacity of the St. Lawrence system. Is this assumption dealt with in the report?

Mr. BARRY: Quite frankly, sir, I do not recall at the moment. Possibly the current movement out of the St. Lawrence ports and the movement which will follow next spring is about the maximum which will occur. I do not know that



it can be much greater. But in spite of this export movement taking place, in spite of the pressures it is putting on facilities in eastern Canada, adequate space is still being preserved, in fact it will probably turn out to be more than adequate, for western feed grains on the present level of requirements. My assumption here is that they will be moved out and space made again in the spring when it is required for export. It is a case of blending the two together on the assumption we are now reaching or near the maximum exports we will have.

Mr. LANGLOIS: I was not here very early in the meeting and I apologize for overlapping if I am doing so.

The point about eastern elevators has been stressed. It is all very well to establish the grain in the first place, but from then on there is a whole margin. In accordance with what we have here on the summons today, we are considering the difference in prices between western grains and the purchasing price for the eastern farmers. Has the minister any definite plans in regard to the manner in which he tends to proceed with distribution from these elevators and the possible cost to eastern farmers?

I have a letter from one of the brokers in Montreal, and I can assure you he was not too easy with me because of this last incident with which I had been concerned in the house. I perchance inquired about that fellow; he is a very nice man. Sometimes they say politicians have not too good a conscience; but I would just as soon go along with my conscience as with his, because wherever he can make a dollar he makes it—and he has been going along in that way for 28 years.

The CHAIRMAN: Earlier in this meeting we dealt fairly extensively with the pricing of feed grains, taking a base price in store at Fort William and bringing it down, in the case of a bushel or 100 pounds, to deliver it to the farmer in eastern Canada. We have a great deal of that information on the record, and the department has undertaken to give us very detailed information not only on feed wheat but on barley and oats also. I would respectfully suggest that the information you require will be found in the report of this meeting. If there are matters that have not been covered, we will leave it open and it can be dealt with again.

Mr. LANGLOIS: Did you discuss the medium of transport from Fort William to these elevators and to the farmers? Did you discuss who will negotiate the sales?

The CHAIRMAN: Yes.

Mr. LANGLOIS: Then I submit to your suggestion.

The CHAIRMAN: I am going to suggest to the committee that we leave the part of the report that comes under the heading of marketing and production and come back to them when we have further witnesses on the matter of eastern feed grain.

Agreed.

Mr. VINCENT: I think the figures that will be placed on the record today signify the reasonable cost of placing this grain in the hands of the consumer down here, but that does not necessarily mean that that would be the actual cost, I take it. Was this the actual cost or the reasonable cost of all the factors?

Mr. HAYS: These were the actual costs.

Mr. PHILLIPS: Yes, the actual cost. What you are actually asking for is some indication of how close to the mark the actual prices come to the figures I gave you, is it not?

Mr. VINCENT: Yes, some people may be asking \$1 per hundred more than these figures indicate.



Mr. PHILLIPS: I am sorry, I do not have the figures with me. However the figures we received last week, for example, were almost precisely the same as the prices I gave this morning.

Mr. HAYS: These were actual negotiations.

The CHAIRMAN: Is it agreed that the report under the headings of marketing and production will stand?

Agreed.

The CHAIRMAN: May we move along quickly? We are doing very well this morning, but I would like to move along quickly to the heading of regional offices.

Mr. WHELAN: Are you going to leave the feed grain angle of marketing and production, or shall we deal with that now?

The CHAIRMAN: If you have any further questions for the minister and his officials, I would like you to ask them now.

Mr. WHELAN: My questions relate to other phases rather than to eastern grain.

The CHAIRMAN: We will cover those as we go through.

Mr. WHELAN: You have other things listed?

Mr. VINCENT: We will have witnesses on that? Would it be possible to propose that the association of independent mill men appear? I think these people are interested.

The CHAIRMAN: We cannot hear them before Christmas.

Mr. BARRY: I think the group to which Mr. Vincent is referring is the group you have designated as the association for the protection of eastern agriculture.

The CHAIRMAN: They will be here on December 17. If there are other questions arising from marketing and production which do not deal with eastern seed grain, may we have them before we pass on?

Mr. WHELAN: I had a number of questions which are mostly answered in the report, although I cannot say I went over the report in great detail. One of the things in which I am interested and which I have not read in this bulletin is "Potential for Freeze-Dried Foods in Canada". Would someone care to make a statement on the potential of freeze-dried foods in Canada?

Mr. BARRY: I am afraid I find myself in some difficulty here. I wonder if it would be satisfactory if we obtained the report for you and sent it to you? I would prefer to do that than rely on my memory.

The CHAIRMAN: That will be forwarded to Mr. Whelan.

Mr. WHELAN: The only reason I asked was because I feel that there is a very great potential in Canada for frozen foods. I do not know whether frozen foods are the same thing as freeze-dried foods, but I think frozen foods are one of the greatest potentials in Canada as far as marketing and exporting is concerned. From the experience some of our people have had in our area I can say there is very great potential in this field. I think it is a matter we should follow up very closely and expand by every means possible.

The CHAIRMAN: We will move on to regional offices. Is that adopted?

Agreed.

Under the heading "Information Division" on page 10 there is a subheading which deals with the press and radio. Is that agreed?

Agreed.

Then we come to visuals.

Mr. ENNS: I think on the entire section all one would want to do is comment laudibly on the information services of the department. Certainly the radio programs are well received, and rather than be critical let us make a laudible comment on the operations in this area.

Agreed.

The CHAIRMAN: That will cover the whole section on information.

Mr. LANGLOIS: Maybe you are adopting more quickly than I am reading. With regard to the regional offices I would like to ask the minister a question concerning crop insurance.

Is there anything the minister can possibly do for eastern farmers with regard to crop insurance? I do not believe they have anything of that sort at the moment. I just want to know if you have had any representations or if you are looking into the matter of crop insurance at the moment. Many crops are wasted because of rain.

Mr. HAYS: This has to be initiated by the province in conjunction with the federal government, and at the present time the province of Quebec has made no overtures in so far as this matter is concerned.

Mr. VINCENT: Was there any discussion with the province of Quebec?

Mr. HAYS: We have had discussions.

Mr. VINCENT: Last year they seemed to be ready to accept crop insurance.

Mr. HAYS: Earlier on in the summer Dr. Barry and I spent a couple of days with the minister, and this matter was not raised at that particular time. I know there had been some previous discussions, but at the moment it is inactive. They will have to bring it forward.

Mr. LANGLOIS: In many of the regions a lot of crops were missed because of the rain. There is a steady flow into Quebec and there is a regular need. This year we need more. It is at this time that some of these farmers need the insurance, because some of the people who sell grain take advantage of the shortage, and the farmers have to buy the feed grain somehow. They have to buy the feed grain and they cannot afford to pay for it.

Mr. HAYS: We are prepared to listen to any representations that are made.

Mr. VINCENT: The federal government is ready but it has to be approached by the provincial government?

Mr. HAYS: Yes.

Mr. NASSERDEN: Is there any thought of bringing any amendments to the Federal Crop Insurance Act? It has now been in effect for four years. Out of the experience that has been gained in those four years and from representations that may have been received, there may be some amendments suggested to the act.

Mr. HAYS: We are looking at all these things but there has been no representation made to us with regard to them.

Mr. NASSERDEN: Have the provinces made any representations, and if so what is the nature of them in regard to amendments?

Mr. HAYS: We have had some discussions with Manitoba and Saskatchewan, but there is nothing I can report further at this time to the committee.

Mr. ENNS: In Manitoba there is quite a keen interest in extending crop insurance.

The CHAIRMAN: Have we now completed this topic?

Mr. NASSERDEN: Before we pass from crop insurance, may I ask if the department has a man on the staff who is available to go out at the request of the provincial government or farm organizations to discuss this matter of crop insurance with farmers.

Mr. HAYS: Yes, we have.

Mr. NASSERDEN: Has there been any demand for his services?

Mr. HAYS: Yes. We have had discussions with both Manitoba and Saskatchewan.

Mr. NASSERDEN: How about the other provinces?

Mr. HAYS: He is in Nova Scotia today.

Mr. LANGLOIS: Would the minister be ready to meet representatives of the provinces for this crop insurance, and also representatives of the credit farm loan board?

Mr. HAYS: Yes, we are prepared to meet them at any time.

The CHAIRMAN: Is it agreed that we shall adopt the report under the heading of information division?

Agreed.

The section of the report dealing with the research branch starts at page 14 and continues to page 29.

Mr. ASSELIN (*Richmond-Wolfe*): And in French it continues to page 32. It always takes longer to say it in French!

Mr. JORGENSEN: I move we adjourn.

Mr. ASSELIN (*Richmond-Wolfe*): I second the motion.

Mr. VINCENT: This would permit the members to read the report on this topic. We received the report only on Monday.

The CHAIRMAN: Most members received it earlier, I think, but it would give an opportunity to read the balance of the report over the noon adjournment if we were to adjourn now. I have a motion from Mr. Jorgenson to adjourn. Will you indicate the pleasure of the committee as to the time of reconvening.

Mr. JORGENSEN: I suggest we reconvene at 3:30 or after the orders of the day.

The CHAIRMAN: Gentlemen, before we adjourn until 3:30 I wonder if I could ask the members of the steering committee to meet with me for a few minutes immediately after this meeting.

The meeting is adjourned until 3:30 or after orders of the day.

#### AFTERNOON SESSION

The CHAIRMAN: Gentlemen, let us come to order. We now have a quorum. I would like first of all to state that the members of the subcommittee met after the noon hour adjournment and dealt with Mr. McIntosh's motion which was adopted by the committee on November 21, to refer a matter to the Department of Justice in relation to the right of the board of grain commissioners to refuse to answer or to give certain information on the basis that it was privileged information under the Statistics Act. I shall now read to you the minutes as follows:

*(See the Reports of Sub-Committee in Minutes of Proceedings)*

I can report that that letter will go out today to the Minister of Justice. Are these minutes of the subcommittee adopted?

Some hon. MEMBERS: Yes.

The CHAIRMAN: Before we start the meeting I suggest for the consideration of the committee that we might want to reduce our quorum. For example, today there are seven committees meeting and we may be in difficulty as we proceed from now to Christmas. I mention this. If we decide to do it, it might as well be done now so that we will ensure for example that when the board of grain commissioners come here we will be able to go ahead with our meeting. May I have an expression of opinion on that?



Mr. NASSERDEN: I do not think we should reduce our quorum because as I look around the room I see we have 13 members of our party at this meeting, more than half the quorum that you need, and there are four other groups in the House of Commons. The subject under discussion today, while of very great interest to all of us, is certainly of interest to our party, and is certainly of equal interest to the other parties, and some of those parties draw off almost their entire strength from the area we are dealing with today. For that reason I think they should be given an opportunity to have their people here. If you reduce the quorum it will reduce the numbers they can have here. From our standpoint we have our people here.

Mr. ENNS: I do not like the idea of reducing the size of the quorum, and I do not like the idea of keeping officials waiting for a quorum. Therefore, I would support the reduction of the quorum so we might proceed without undue delay at future meetings, with due deference to my colleagues.

Mr. RICARD: I support the idea of maintaining the present number necessary for a quorum. It is up to them to be present, or to be replaced by somebody else. If they are not interested, then let someone else take their places.

Mr. ASSELIN (*Richmond-Wolfe*): Today we have seven committee meetings going on, and I think those who are really interested in this subject would come to the meeting. If you reduced the quorum, we could get started a lot faster.

Mr. RICARD: You may have seven committees sitting today, but that may be an exception. It might be the only day of its kind in an entire year. Would you make a special rule just for the sake of one day?

Mr. HORNER (*Acadia*): It is up to the parties concerned to see that their members attend. If they do not attend, there should be somebody else on the committee. There are seven meeting, and there are 70 members who cannot attend, excluding cabinet and parliamentary secretaries. That still leaves ten members from each party who should be here. That leaves you three or four parties to make up the other ten members. With seven committees meeting, and ten men to each committee—

Mr. WHELAN: I think we would be wise to do this, Mr. Chairman. There are three sitting right now. I think we would be wise in leaving the quorum at 20, because the agricultural industry certainly warrants the attendance of committee members here.

The CHAIRMAN: I mentioned it so that we could get an opinion. I think I have an opinion now, and it is to go ahead. So let us proceed with consideration of the report from the place we left off when we adjourned. Are you ready to consider the headings under "research branch"?

## RESEARCH BRANCH

The branch has research establishments in localities representing the principal soil and climatic resources of Canada from coast to coast. It continued its broad program of research on problems selected for their regional or national importance in agriculture. The research staff, in cooperation with their counterparts in universities and provincial departments of agriculture, seek to provide the research information required to aid Canadian producers in maintaining their competitive position in domestic and overseas markets.

A highlight of 1962 was the establishment of the food research institute at Ottawa, to concentrate and intensify our attack on problems concerning produce after it leaves the farmer's gate. The institute was

formed by amalgamating the dairy technology research institute, the fruit and vegetable processing and storage section of the plant research institute, and the oils section of the genetics and plant breeding research institute. The new institute will study the characteristics of plant and animal products that affect food quality and consumer acceptance; the physical, chemical, and biological changes in foods during storage and processing; and the development of new principles in food processing and preservation and of new types of processed agricultural products. A food research information office was also established to make available results of research undertaken in Canada and abroad.

This report is in four sections dealing with research on animals, crops, soils, and crop protection. A few selected studies are described, especially concerning their objectives, progress, and promise.

## ANIMALS

Producers of domestic animals have a direct and immediate interest in experiments that give practical answers to their practical problems. Feeding trials that provide information on the relative values of different feeds for specific purposes are examples of this kind of research. However, as this kind of information accumulates and as we learn that some problems cannot be solved by simple experiments, increasing emphasis must be placed on learning more about the mechanism of the animal body and its function.

In previous reports we have reviewed much of the work that gave immediate answers to practical problems. In this report we deal more with examples of difficult problems that have not yielded to solution through simple experiments but that require a more fundamental approach.

### Urinary calculi

Urinary calculi, comparable to kidney stones in humans, have caused losses among male cattle and sheep for many years. The calculi are deposits or accumulation of minerals in solid form and are found in various parts of the urinary tract. As long as they are small they can be passed out with the urine and cause no trouble. However, if they become enlarged they may block the urinary tract and thus kill the animal. The minerals in the calculi vary with the feed eaten by the animals. The areas of southern Alberta and Saskatchewan, serious losses have been caused in cattle by calculi containing a high proportion of silica. Death losses in individual herds have been high in some years and low or absent in other years. The deaths occur mainly in animals under a year of age and usually during the fall and winter.

Early studies on this problem at Manyberries and Lethbridge, Alta., centered on surveys and analyses of feed and water supplies in relation to reported losses. These surveys indicated that losses were greatest after a dry summer when the forage matured early. The animals then ate forage containing less carotene (vitamin A) and phosphorus and more silica. Also, during the winter the animals did not drink normal amounts of water. On the basis of this information, feeding trials were undertaken at Lethbridge to find rations or feeding and management systems that would overcome the problem. These experiments failed to provide a practical solution. It became evident that it would be necessary to learn more about how the animal body absorbs, transports, and eliminates silica (the mineral making up most of the calculi) and the

physiological factors (pH of urine, presence or absence of mucoproteins and mucopolysaccharides in the urine) that lead to information of the calculi.

One interesting result of this work at Lethbridge was the discovery that the presence of calculi can almost be classed as a normal condition. Calves may be born with calculi. Also, calculi may be formed at any time during the life of the animal and not only at the time when they cause trouble. They are equally common in both sexes but the structure of the urinary tract permits elimination of the calculi in females whereas blockage occurs readily in males.

Calculi were found in the kidneys, in the bladder, or in both organs in individual animals. It is not known definitely whether the nuclei of the calculi are always formed in the kidney and passed into the bladder, but deposits were formed on foreign bodies inserted into the bladder. This indicates that calculi very likely increase in size in the bladder. All these results emphasize that the basic cause of calculi is a failure in the animal to excrete the excess mineral in soluble form.

On the other hand, work at Ottawa and Lethbridge has shown that the feed consumed has a direct effect on such factors as pH (acidity) and silica content of the urine. Under certain conditions the pH may influence precipitation of silica. However, other evidence indicates that the pH of the urine in itself is not a primary factor in calculi formation. Some of the results indicate that low level of water intake may contribute to increase in calculi. This may explain, in part, the increasing frequency of trouble from calculi during the fall and winter, when water intake may be low for various reasons.

A practical solution to the calculi problem is not yet in sight but the basic information required is gradually being obtained.

### Vitamin A

It is half a century since a substance, now known as vitamin A, was found to have an important role in maintaining normal health and function in the animal body. Much has been learned about the needs of various classes of stock for vitamin A, the storage of this vitamin in the animal body, and the conversion of carotene, found in green plants, to vitamin A by the liver. Generally speaking, we have learned to overcome deficiencies of vitamin A in rations by supplementing them with vitamin-rich natural feeds or with synthetic vitamins.

Yet vitamin A deficiencies in feedlot and breeding cattle have been reported more and more often in recent years. They occur in cattle receiving rations thought to have enough vitamin A or carotene. Some factors suggested as possibly responsible for this situation are: changes in feeding practices to rations high in concentrates and low in roughage, the use of feed additives such as antibiotics and hormones, the presence of increasing amounts of pesticides and herbicides on feeds, and increases in nitrate content of forage arising from increased use of nitrogen fertilizers. That vitamin A deficiencies still occur emphasizes that we need to know more about the requirements of various classes of animals for this vitamin, its metabolism in the animal body, and the function that it performs in the body.

Several establishments are tackling the problem from different aspects. At Kapuskasing, Ont., a study is being made of the possible effect of the herbicide MCPA on the conversion of carotene to vitamin A by beef cows and their calves when grazed on pastures sprayed with



the herbicide. Under certain conditions MCPA was found to interfere with the conversion of carotene to vitamin A in the animal body, but more research is needed before general conclusions can be drawn.

At Lennoxville, Que., studies are being made on the effects of different rates of nitrogen fertilization on the nutritive value of forage, including the possible effect of high nitrogen fertilization on the vitamin A status of animals eating the forage. As yet there is no indication that nitrogen fertilization is changing the nitrate content of the fertilized crop to affect the conversion of carotene from the plant to vitamin A in the animal body.

The possible effects of environmental stress, such as changes in temperature in the range 20° to 70° F, on vitamin A metabolism in sheep are being studied at Lethbridge, Alta. The results so far indicate that temperature changes are probably not important.

The animal research institute, Ottawa, is studying the rate of conversion of carotene to vitamin A in the animal body to obtain a more precise conversion figure to use in calculating vitamin A values from the carotene content of forages. At the same time, studies are under way to determine the metabolic function of vitamin A in the animal body and the factors that influence animal requirements for this vitamin.

#### Ruminant nutrition

There is a well-known statement that "all flesh is grass." This may not be literally true but it does emphasize the fact that the basis for all animal life is the conversion, by herbivores, or plant-consuming animals, of plant material to animal material. Among the herbivores, the domestic ruminants, i.e., cattle and sheep, provide a large part of our food supply.

During the last few decades there has been an increasing appreciation of the importance of improved production and conservation of forage, especially in Canada where our climate severely restricts many other forms of agricultural production. The efficient conversion of forage to animal production, although equally important, stayed in the background until more recently. However, within the last two decades there has been a growing awareness of this problem. This has led to a growing interest in the peculiarities of the ruminant digestive system.

A highly significant point is that digestion in the rumen is not mainly a function of the rumen itself but of the bacteria and protozoa in it. Thus, the rumen is important not only as a container for feed and as a fermentation vat but as a complex mechanism for controlling the action of bacteria and protozoa and for dealing with the products of their activity.

For the organisms to function properly, they must have the proper moisture, nutrients, acidity (pH), and temperature. Part of the nutrients are derived from the saliva of the animal, and the remainder from the feed. The saliva also provides much of the moisture needed. Research workers at Lethbridge, Alta., are studying the effect of the saliva on digestion of feeds in the rumen. Feeds that were chewed and swallowed were found to be digested more readily than the same feeds inserted directly into the rumen. More research is going on to determine whether this is because of the crushing of the feed in chewing, thus exposing a greater surface to bacterial action, or whether the moistening of the feed with saliva is the important factor.

The effect of crushing or grinding the feed is part of the larger problem of the effect of the form of feed on its digestion and utilization.

Theoretically, reducing the size of particles should provide greater surface for bacterial activity. But at Melfort, Sask., it was found that the increased rate at which fine particles pass through the digestive tract may counteract the effect of increased surface area. Although digestibility was not increased by grinding, daily feed intake by steers was increased and this led to increased gain and efficiency of gain. Pelleting the ground hay further improved feed intake, rate of gain, and efficiency of gain. Similar results from grinding and pelleting were obtained with lambs at Nappan, N.S. Pregnant ewes also benefited from pelleting of the feed.

The fact that feed intake, that is total consumption, is an important factor in rate and efficiency of gain has led to the suggestion that voluntary feed intake should be used as a measure of forage value. But as this method is rather expensive, efforts are under way at many institutions to develop a laboratory method for evaluating forage. In vitro, or artificial rumen, digestion is being studied at Swift Current, Sask., and Ottawa. The purpose is to relate these procedures to what actually happens in the animal and thus find a simple, cheap method of evaluation. This method then can be used by plant breeders as a means of evaluating new varieties of forage plants in terms of their nutritive value.

To learn more about factors in plants that determine their nutritive value, workers at Agassiz, B.C., are studying soluble carbohydrates. These are mainly simple sugars and hence a readily available source of energy for rumen organisms. It has been shown that different orchard-grass samples have soluble carbohydrate contents of 4 to 20 per cent of the dry matter, and total fructose, one of the sugars, of 1 to 8.5 per cent. This in itself does not indicate that these samples vary in nutritive value: in vitro it was found that the addition of sugar may adversely affect digestibility; more research must be done before the picture becomes clear.

Though ruminants are of primary importance as converters of roughage, there has been a trend in recent years to use all-concentrate rations for finishing beef cattle and high-concentrate rations for milking cows. This provides a somewhat unnatural diet and often leads to digestive disturbances. At Nappan, N.S., studies are under way to determine whether certain additives (buffers) might overcome these difficulties. Sodium bicarbonate and sodium propionate, alone or in combination, were added to concentrate rations. These additives had very little effect on digestibility, gains, or feed efficiency, although sodium bicarbonate increased the pH of rumen content and changed the proportion though not the total amount, of volatile fatty acids.

## CROPS

More than 60 kinds of crops are grown commercially in Canada. With each, whether it be asparagus or wheat, there is need for improvement. To extend the area of adaptation, or to improve quality, resistance to disease or insects, time to maturity, or yield, new varieties are continually being developed at stations across Canada. These achievements depend on both background research and evaluation experiments. The new varieties, and new management procedures, are steadily increasing the efficiency of crop production.

### Breeding Tree Fruits

In horticultural reasearch the improvement of fruit trees through breeding and selection may sometimes be overlooked because it is such a very slow process. About 40 years are required from the time a new

very carefully and its purpose must continue as it passes, through time, apple starts its seedling growth until the public accepts it as a recognized variety on the market. Obviously, this type of program must be planned from one group of research workers to another.

In 1962 significant progress became evident in one special phase of the work: in developing a good-quality apple resistant to the serious disease apple scab. Also plans were made to extend peach production by developing more hardy, disease-resistant peaches.

No commercial variety is immune to apple scab. But, fortunately, there are immune wild species, some of which have fruits only a quarter of an inch in diameter. A breeding program was started about 20 years ago to transfer the resistance from wild species to a cultivated variety that met commercial requirements. During this time, resistance has been incorporated, step by step through several generations, into increasingly larger-fruited selections. Finally, tens of thousands of trees were grown to maturity to find seedlings that produced fruits of the desired type.

This breeding project in Canada is centered in the genetics and plant breeding research institute, at Ottawa, and is one part of an extensive international program on this problem. Establishments at Smithfield, Ont., Kentville, N.S., and Summerland, B.C., are assisting in the project. Fruits have now been obtained that are of the McIntosh type and can be grown without the need of fungicide sprays to control scab. As orchardists in many areas of Eastern Canada may now have to apply 10 to 15 separate sprays annually to control apple scab, this achievement is important economically.

Before these seedling selections can be named and introduced as commercial varieties, they must be propagated for evaluation under conditions more nearly comparable to commercial production. This will take several years and the tests for doing it are designed to give a reliable measure of all the characteristics of the seedlings.

The Canadian tree fruits next in importance is the peach, and similar attention is being given to the development of hardy, disease-resistant sorts for both the present areas of production and possible new ones. Our peach breeders are confident that, when the need for new varieties becomes critical due to expanding acreages into less favorable areas, improved hardier types will be ready for the grower.

### Cytogenetics of wheat

In the evolution of our present-day wheats, a species of primitive type combined in nature with a grass, *aegilops speltoides*, to produce durum or macaroni wheat. Later in this natural development, durum wheat combined with goat grass, *aegilops squarrosa*, to produce *triticum aestivum*, or bread wheat as we know it today.

Cytogenetics has now become a powerful tool in plant breeding. Recently, at the research station, Winnipeg, Man., the chromosome components of bread wheat were separated by the application of cytogenetics and a reconstituted durum-type wheat was produced. Before this separation, it was impossible to transfer desirable characteristics such as resistance to rust from durum wheat to bread wheat because the hybrids were sterile. However, the reconstituted durum crosses readily with our common bread wheat varieties thus permitting the breeders of hard red spring wheat to have access to valuable characters hitherto denied to them. This development will open up new frontiers in wheat breeding.

Chromosome substitution, a technique whereby a single chromosome can be transferred from one wheat variety to another, is an aspect



of cytogenetics being used to advantage in studying the inheritance of complex characters such as bread-making quality, yield, and resistance to insects. It is also being evaluated as a means of breeding new varieties. Information on inheritance, which was practically unattainable previously, is now being put to good use in cereal breeding. Research in cytogenetics is leading to techniques whereby the synthesis of new varieties is possible through precise genetic control. We are moving into an era where plant breeders can "tailor-make" varieties by manipulating chromosomes carrying the desired genetic characters.

### Breeding winter-hardy cereals

Winter cereals have a higher potential yield than corresponding spring crops. Present varieties are adapted to only the few areas in Canada where winters are relatively mild. Making greater use of winter cereals would have many advantages, particularly in prairie areas where they mature before the dry summer weather. Lack of winterhardiness is the limiting factor.

Hardy varieties of winter wheat are being developed at Lethbridge, Alta. Winalta, a new variety recently released from Lethbridge, is equal to hard red spring wheat in milling quality and only slightly below it in baking quality. Its winterhardiness is equal to that of Kharkov 22MC, the most winter-hardy variety grown in Canada. This combination of quality and winterhardiness represents a significant advance in breeding winter wheats for the prairies. It is expected that within the next 20-30 years winter wheat will be grown much more widely in the southern parts of Canada than at present.

Soft white winter wheat, a traditional and important crop in southwestern Ontario, is used mainly for making pastry flour. A special type of wheat quality is required, and the yield per acre must be such that it can compete economically with other cash crops. Resistance to lodging is particularly important in areas where high fertility is maintained. The varieties released during the past few years indicate the success achieved. Winter-hardy varieties that are resistant to disease and lodging are now grown with confidence by Ontario farmers from the Bruce peninsula to the Ottawa valley.

### Corn improvement

The use of corn in Canada has been increasing steadily since hybrid seed became available over 25 years ago. Most hybrids are adapted to a narrow range of conditions and only a few of the first hybrids were suitable for the short growing season in most parts of Canada. Recently, corn has become an important feed grain and 36 million bushels of grain corn and over four million tons of corn silage are now produced each year. Canadian plant breeders have brought about steady improvements in yield, quality, and time to maturity. This research is centered at Ottawa and Harrow, Ont., in eastern Canada, and at Morden, Man., in western Canada.

Before hybrid seed became available, the northern limit for silage corn in eastern Canada was near Ottawa, and the possibility of growing corn for grain was thought to be remote. The Ottawa program reached one objective after another in developing early hybrids with good grain yields and high-quality silage. At Harrow, situated in the main corn belt of North America, attention was focused on developing inbred lines resistant to stalk rot and the European corn borer for use in commercial

breeding programs. At Morden the objective has been to extend the area where corn can be grown in western Canada by developing hybrids that are well adapted in Manitoba.

Outstanding success has been achieved at each of the three locations. From Ottawa, 13 hybrid varieties have been released. Seven of them are still on the recommended list for 1963. Generally, they mature in 80-87 days, or about 10 days earlier than a crop could be produced before hybrids were introduced. Even though the time to maturity is shorter, yielding ability is excellent and often reaches 75-100 bushels per acre. The Ottawa hybrids are grown from Guelph, Ont., to the upper Ottawa valley, as well as in western and southern Quebec. From Harrow, during the past five years, eight inbreds selected for resistance to the European corn borer and to stalk rot have been released to private breeders who are developing hybrids for southern Ontario.

Through the Ontario corn committee, formed in 1941, we have one of the finest examples of cooperation between federal and provincial governments and industry in getting the benefits of research to the farmer. Private corn companies are not in a position to develop varieties to extend the fringes of the corn acreage but they do have facilities for producing hybrid seed and distributing it. Therefore, hybrids developed by the department are licensed and offered to seed companies to make the seed available to farmers. Two recent examples are DeKalb 29, which was licensed from Ottawa as Canbred 256; and Funk's G43, which was licensed as Canbred 283. These two are among the earliest, high-yielding hybrids available for eastern Canada.

In western Canada, before the first hybrids, Morden 74 and Morden 77, were released in 1950, corn was an unsure crop because available varieties did not mature in cool seasons. In 1959, the growing of corn was further encouraged by the release of Modern 88. It is a flint-dent kernel type that has replaced Morden 74 because of its superior yield. The Morden hybrids have extended the area where corn can be grown in western Canada.

In recent years, the area where corn can be grown for silage has been extended to the irrigated acreage around Lethbridge in southern Alberta. This is very important in the feeding of beef cattle. In 1962, about 10,000 acres were grown in the area, and an increase to 50,000 acres is predicted within the next few years.

### Rangeland Research

There are about 55 million acres of native range and potential northern pastureland in Canada. It must all be used in the best way possible if national goals for beef production are to be realized.

Work on prairie ranges is centered at Swift Current in Saskatchewan, at Manyberries and Lethbridge in Alberta, and at Kamloops in British Columbia. By 1950, it was foreseen that the ranges in western Canada would have to support many more cattle in the future. This called for more emphasis on range research. Before 1950, studies were concerned with maintaining the productivity of the range at its original native level. The soils, climate, and plants of this vast resource were catalogued. Botanical keys to the native flora, developed at Swift Current, are in common use in university classrooms today. Carrying capacities were established, based on soil type and vegetative cover. They range from 3 to 60 acres per grazing animal per season. This information, available to the

ranchers and PFRA, has been used to prevent overgrazing, and during the 1961 drought most of the ranges had enough carryover to avert disaster.

After 1950, studies on a number of cultural practices were started. In general, it was found that fertilizing does not hold much promise where moisture is the main limiting factor. The use of weed killers and cultural methods for controlling small brush, such as western snowberry, was shown to be practical in some areas. Rotational grazing of range did not increase carrying capacity but it sometimes did affect the ecological succession of species.

To increase production, much attention is being given to seeding cultivated species to complement native range. Seeding one fifth of a range area to Russian wild rye and crested wheatgrass, to complement native range, has doubled or tripled the carrying capacity at Swift Current over a six-year period. At Manyberries, Alta., for six years, rangeland broken and seeded to Russian wild rye and crested wheatgrass has given a carrying capacity of over three times that of native range. If these gains are maintained for ten years, large-scale reseeding of native ranges may be recommended.

From the Peace River area of British Columbia to Kapuskasing in the clay belt of Ontario, there are large areas of gray wooded soil covered mainly with poplar forest. Although this land is often submarginal for farming, much of it is used as rangeland. In its native state it has a carrying capacity of one animal to 25-40 acres per season. When it is cleared and seeded to cultivated species, a carrying capacity of one animal to two acres is not uncommon. Some of the potential of this area must be realized if the national goal for cattle production is to be reached.

As early as 1952, tests at beaverlodge showed that when this land was burned over it was feasible to broadcast grass and legume seed into the ashes and obtain good stands of forage. However, most of this area cannot be burned over and the cost of clearing it is often about \$60 per acre. Recently, the "ball and chain" method of clearing has been used and the costs have been cut to less than \$10 per acre. In the Peace River area, newly cleared land was double disced with a large serrated disc and broadcast-seeded with a grass-legume mixture. It yielded 3,000 and 5,000 pounds of dry matter per acre in the first and second years respectively. North of Melfort, Sask., land treated similarly yielded over 1,000 pounds of dry matter per acre in the first year after seeding. Botanical studies, fertilizer experiments, and work on the use of herbicides and clipping to control brush regrowth are under way in both areas. This research will be followed with interest during the next few years because the success of a large part of the cattle industry in Canada may depend on it.

May I call the subheadings? And then invite questions under each subheading as it is called. The first heading under the research branch is "animals". Dr. Barry points out that under the subheading of animals there are certain projects such as urinary calculi, vitamin A, ruminant nutrition, and so on. May we pass to animals?

Mr. NASSERDEN: Would it be fair to ask the deputy minister whether we think we are providing enough money today to cover the research necessary to round out the type of program that we should have to make the most effective use of our agricultural resources?



Mr. BARRY: Mr. Chairman and Mr. Nasserden: I suppose this is a question where the answer would be that one never does provide enough for research. It is probably a question of priorities, dividing the available resources which are not always financial resources, because in many cases they are personnel resources as well as financial, and to divide them into what appear to be the problems needing priority and attention. Dr. Anderson is here. He is director general of our research branch and I am sure that his reply to your question would be no, there are not enough resources provided for research. I do not suppose there ever are in such cases. There are always demands, but it is a case of making available the resources that we do have as best we can, as we see the need for priority to take care of problems that have to be dealt with. That, I am afraid, is not a very complete answer to your question.

Mr. NASSERDEN: Have you had any difficulty with getting personnel that you need?

Mr. BARRY: May I ask Dr. Anderson to deal with that question?

Dr. J. A. ANDERSON (*Director General, Research Branch, Department of Agriculture*): I think we always have some problem in obtaining competent research personnel. I suspect there is a shortage throughout the civilized world in this area. We are up against competition particularly from the expanding universities in the United States as well as Canada. I think we are doing some recruiting from overseas, and on balance I do not think we are doing too badly. The outstanding research men are always in short supply.

Mr. HARKNESS: To what extent are you under established at the present time in the way of research scientists and laboratory technicians?

Mr. ANDERSON: We were probably at about 91 per cent of establishment at the time that recruiting restrictions were imposed.

Mr. HARKNESS: So you are less than that now?

Mr. ANDERSON: No, we are about 91 per cent now.

Mr. HARKNESS: That applies to both research scientists and laboratory assistants, does it?

Mr. ANDERSON: I think probably we are a little lower in supporting staff and probably fractionally higher in research scientists.

Mr. NASSERDEN: We welcome Dr. Anderson here and it might be well for those who do not know of his career is someone would say a few words about it.

Mr. HAYS: Dr. Anderson is director general of research and is in charge of that whole area.

Mr. BARRY: I am sure some of the members of the committee have seen Dr. Anderson when he was with the board of grain commissioners and in charge of the research laboratory for the board.

Mr. PETERS: Is there any research taking place in the field that is bothering many agriculturists today related to detergents which are now used, and which appear in water and crops, as sprays, dusts and insecticides, and are getting into the end product of agriculture? Is there any extensive research taking place in this field?

Mr. ANDERSON: On detergents, not in the research branch of the Department of Agriculture. I believe there is some work being done by the Ontario Research Foundation in that respect. In the area of pesticide residues, there is a very fair amount of research on what happens to them after they are applied.

Mr. PETERS: Is this being conducted by the central experimental farm?

Mr. ANDERSON: No, it is done in a number of our outlying stations, mainly at Kemptville, Vineland, Winnipeg, Saskatoon, and Lethbridge. I think we are short of expert analytical chemists in this area which is an extraordinarily difficult one, involving analysis of extremely minute amounts. I believe we have two vacancies in that area.

Mr. PETERS: In the research being done today how does the department handle the results? Do they make recommendations on the removal of certain pesticides and insecticides and recommend them to the commercial field?

Mr. ANDERSON: It is not so much the case of removing them, although work is done in that area; it is more a case of limiting their application. That is where the research lies. One takes all possible steps to limit the application and to see that the residues are not carried forward into food at any time. One has long-term projects in this area, dealing with the accumulation of residues, and particularly with the development of resistance in insects, which is a matter mentioned in this particular report.

Mr. PETERS: How does it relate back to the farmer? Is it related in terms of developing applications, or do you go further back and look into the preparation of the chemical insecticides and pesticides that are already on the market, or the new ones being brought on the market?

Mr. ANDERSON: If I may answer part of your question, it relates in part, in so far as it affects the farmers, to the development of spray calendars which advise him on how he should operate at all times and what sprays he should be using.

Mr. BARRY: I was going to add that, as I am sure you know, we have to think here in terms of research and in terms of administration of statutes. We have the Pest Control Products Act, under which all pest control products sold in Canada must be registered in our department. Before the product is registered, we must have adequate data coming either from the firms themselves or from other research work demonstrating their effectiveness, and we also must have it made clear by the food and drug department with respect to the residues which would be permitted. The provinces put out spray recommendations to farmers. We serve on committees with them, to develop the recommendations to farmers for the use of different pesticides for different purposes.

Mr. PETERS: In relation to the problem of detergents, is any research being done, I mean in the agricultural research field, with respect to residues which may remain in a source of water supply as far as animals are concerned, and the effect it may have on animal life?

Mr. ANDERSON: Not that I know of.

Mr. WHELAN: I wondered about insecticides and pesticides. Are we going to be able to ask questions on the research aspects of each one of these as we go along, or is it going to be done just hit or miss?

The CHAIRMAN: We are under research now and I think the questions asked are relevant in the sense they were asked.

Mr. WHELAN: I have questions on research but I wonder if I should ask them now. I see you have soils here, and soil surveys, and soil physics and so on. I was concerned about the deficiency of elements in soil.

The CHAIRMAN: I think we are dealing more specifically with animals under this section.

Mr. NASSERDEN: On the first item, before we get away from it, reference is made to food storage processing. Does the department provide a service to people who want to go into this business? If they come to you with a problem, do you try to work it out so that you can tell them the type of premises that they need or buildings or equipment or something like that to take care of that particular problem they have with processing or storage of food?

Mr. ANDERSON: We would try to make available to them the information we have, and in many areas I think we have adequate information to deal with the types of inquiries that are put forward to us.

Mr. WHELAN: At your experimental farms you are actually doing some experimental processing, are you not?

Mr. ANDERSON: Yes, that is true.

Mr. WHELAN: Do you have adequate facilities for it?

Mr. ANDERSON: In general I think we do, having regard to the total coverage that we give.

Mr. WHELAN: Do you have adequate staff who are trained in this matter. I mean technical people?

Mr. ANDERSON: In general, I think we do fairly well in that field.

Mr. HORNER (*Acadia*): Dr. Anderson, on page 15 at the bottom, dealing with vitamin A, the report says:

Yet vitamin A deficiencies in feedlot and breeding cattle have been reported more and more often in recent years. They occur in cattle receiving rations thought to have enough vitamin A or carotene. Some factors suggested as possibly responsible for this situation are: changes in feeding practices to rations high in concentrates and low in roughage, the use of feed additives such as antibiotics and hormones, the presence of increasing amounts of pesticides and herbicides on feeds, and increases in nitrate content of forages arising from increased use of nitrogen fertilizers. That vitamin A deficiencies still occur emphasizes that we need to know more about the requirements of various classes of animals for this vitamin, its metabolism in the animal body, and the function that it performs in the body.

Am I right in assuming that you are using these chemicals?

Mr. ANDERSON: No, I think you are going a little further than this when you ask if we are using all these chemicals. The research data we have at present would allow scientists to make certain recommendations. This is an area that we are still investigating.

Mr. HORNER (*Acadia*): You are more or less suggesting that this might be a possibility?

Mr. ANDERSON: It might be.

Mr. DANFORTH: My question deals with the particular subject of research. I appreciate that there is a tremendous amount of co-operation between the federal and provincial agencies right down the line, and there always has been. I wonder if the doctor could outline the chain of authority or the regulations so that there is no duplication of effort, and there will be the maximum use of all facilities both dominion and provincial? Could he indicate where there is a specific problem in a specific area, and where the initial contact should be made to permit specific development? Should it be done at the local level, the provincial level, or at the dominion level? Is there some indication as to how this experimental work in Canada is correlated?

Mr. ANDERSON: You have to deal with it in different ways. There are a number of committees, such as associate committees and national committees in which we attempt to coordinate work in various areas. We bring together research men working in a given field from our own establishments, or from universities, or from any other organization that may have people working in that particular field. That is one way to do it. There are also, under the National Committees for Co-ordination of Agricultural Services, a number of committees, and I will have to come back to them. Under the N.C.C.A.S.,



which has on its membership the deputy minister and some of his top staff, also the deputy ministers of the provinces, the deans of agriculture from the major universities and schools, and representatives from the national research council, we have the possibility of looking into over all co-ordination. This is done by setting up national committees or special ad hoc committees working in specific fields. In addition, in each province I think I can say quite freely, there is close co-operation between our senior staff, the directors of our research stations and experimental farms, and the provincial staff, and particularly the university staff. There is a sort of informal liaison which keeps people advised of what each group is doing, so that you get a tendency towards co-ordination and coverage of an area. It is difficult, but I think we do rather well in Canada.

Mr. DANFORTH: Is it possible by meeting together with these committees to establish a cross country priority in effort, or in other words is it possible in the case of a distinct national problem? We are given a chance to take wide action clear across the country? I am thinking of radio fall-out and its effect on agriculture. It would be possible by calling this committee together to take a certain effort right down the way.

Mr. ANDERSON: Yes.

Mr. RAPP: Under the heading of animals could I get some information how really serious the shortage is of veterinarians in Canada now that there is supposed to be a new college established in the west? Would that eliminate this problem, or will there still be one, even after graduates are released from this new college. Would there still be a serious shortage in veterinarians in our country?

Mr. BARRY: I am sorry but I cannot give you precise figures at the moment of the vacancies of veterinarians on our staff. There are vacancies, and there have been. I think the situation now is probably slightly less serious than it was a while ago. We have been able, as I recall it in recent years, to do a bit better in our recruiting. Some men who went to private practice decided to come into government service. And we have been able to recruit some veterinarians from other countries, notably eastern Europe. We also have, in view of the fact that this division was short in its total personnel, to make some rearrangement in our work, and to have more of our work done by lay people rather than by veterinarians. This has been helpful as well. But in spite of this, Mr. Rapp is still correct when he says we are still short of a sufficient number of veterinarians.

A new college has been set up in Saskatoon, but it will be four years before it will graduate veterinarians. How many will come out of that in the years ahead, I do not know. It will not be a great number for a few years. But I think looking ahead, in the light of these developments, that when that school gets into operation and graduates veterinarians, we should be in a reasonably comfortable position in Canada. However the position is still tight. I am sorry I cannot quote you figures.

Mr. LANGLOIS: We have a veterinarians college at St. Hyacinthe, Quebec. I sent the name of a young man to the Minister of Agriculture, who is a student there, and who wishes to secure work with the government during the holidays, in his own branch, which might lead possibly later on to supply work during the summer holidays. Do you not think it would be better to get in touch with these undergraduates rather than to let them stray away on their own?

Mr. BARRY: We do hire summer students, depending on the availability of our resources to do so, and the objective we have had in mind is precisely that which you have mentioned, to interest them in departmental work after

they graduate. We use them to the extent that we can procure them, on such things as tuberculosis tests, during the summer months.

Mr. LANGLOIS: There was another request I received, when the applicant wanted to know if he could not get work in connection with brucellosis and tuberculosis.

Mr. BARRY: I cannot say how many we will be engaging next summer, but this is standard practice.

Mr. PETERS: The question I had was in relation to Mr. Nasserden's question, on the extent of research that the department was doing in supplying buildings. I wonder what amount of research the department has done in relation to sterile products, such as milk? This is becoming a very important item in the dairy industry, and also in respect to meat storage. What about the development of total sterile products.

Mr. ANDERSON: In the dairy field—I do not know if they use the word sterile. That is taking it a bit far. It is pretty difficult to get complete sterility. But the whole problem of the sterility of foods, particularly sanitary arrangements for dealing with such products as milk, has been under extensive investigation.

Mr. PETERS: The question refers to milk.

Mr. ANDERSON: Yes we have done a great deal of work in this general area.

Mr. PETERS: Are reports published on the work done?

Mr. ANDERSON: They would be mainly published as scientific reports, or as recommendations to industry.

Mr. PETERS: Is there, or has there yet been a report published on health standards, public protection, and that sort of thing, as an over-all examination of the problem of sterile products?

Mr. ANDERSON: Not I think on such a general subject as you have outlined.

Mr. PETERS: I mean malted milk.

Mr. ANDERSON: No, I doubt if there is a specific publication on that.

Mr. PETERS: Is research going on in connection with it at the present time?

Mr. ANDERSON: I do not know if there is, on that particular product.

Mr. SOUTHAM: This whole field of research is something which has many important aspects to the dairy operator and to agriculture. My question is prompted by discussion. I shall not give the name of a person, but he was an agricultural scientist, and he said that he thought that possibly Canada was lagging behind in scientific agricultural research. I think this very interesting in view of the fact that people are interested in world population, and the exploding population. I felt that it was something very basic regarding the food of people. The comment he made was he thought that some countries interested in the primary products about agriculture were a little ahead of Canada. Do experts of your department have liaison with agricultural scientists and experts from other agricultural producing sections of the world so that you can compare and see how we are keeping abreast in these fields?

Mr. ANDERSON: Yes, it is characteristic of science, that it is international. There are international meetings being held at different places and on different subjects. We have representatives not only from the research branch of the Department of Agriculture, but from the universities and other scientific groups attending these international meetings, and of course reading scientific publications which are international too.

Mr. LANGLOIS: Has there been extensive research done, as I imagine there would be, on the subject of feed grain, where the user for example might use



No. 1 feed grain instead of using No. 1 quality grain, by reason of adding some product to it in order to bring it up to par for feeding, or something like that?

Mr. ANDERSON: There is extensive work in that field of nutrition with the principal objective, as you would expect, obtaining maximum efficiency in converting food into whatever animal product one is concerned with. I would think there would be, in those studies, some reference to specific grades, and the use of lower grades of one sort or another. But those are details I cannot carry in my memory.

Mr. LANGLOIS: If there is research done, could we have a report on it? I imagine you would have statistics somewhere having to do with different grades and the ingredients that have to be added to them.

Mr. ANDERSON: I would think that an area such as this would only appear incidentally as part of a study, and would probably appear more likely in scientific reports or literature.

Mr. BARRY: There is one item which Mr. Phillips might deal with.

Mr. PHILLIPS: Mr. Chairman, in developing rations for livestock, the research branch and others have determined the level of nutrients required for rations. The problem then for the farmer and the feed manufacturers is what ingredients to blend in order to make that ration. You require knowledge of the proteins and the vitamins in the various grains, and there has been a committee working in the United States and with Canadian support on the composition of all food products, and they have published results of it, with tables. They come out every five years. They are made available to anyone who subscribes for them. Therefore, with the knowledge provided by research and by those tables individuals are in a better position to blend their rations.

Mr. LANGLOIS: From your own general knowledge would you say that you need more ingredients on the quality of feed you are getting, or would you take No. 1 grain?

Mr. PHILLIPS: That is a rather complex subject, because it is recognized that you usually need to blend something more with the grain in order to make a ration, and the question would be related largely to the quality of the grain.

Mr. LANGLOIS: I am thinking of the very top quality of grain. Would you say that you needed additives to blend with it before you used it as feed grain.

Mr. ANDERSON: It depends on the particular year, and the particular crop actually. The ratio of starch content to protein in a given grade is not a function of the grade. It is the function of the crop year. One has to have a chance to analyse the grade. These analyses have been published over many years by the grain research laboratory of the board of grain commissioners in their annual report. I would think one would, generally speaking, have to underline those grade qualities and the particular blend in order to answer your question.

Mr. HARKNESS: This depends on the area in which the grain is grown. It goes back to soil characteristics which are quite different in one part of the country when compared to another.

Mr. HAYS: Yes, there is a lot of information available in the department, such as on whether No. 2 C.W. oats would be better than No. 2 oats.

Mr. LANGLOIS: Those who do the blending would know about it. But if there was a possibility for a farmer to know about it, I wondered if you had a special report on it, so that we might follow it. People might order a special kind of grain if it would give them more of a certain ingredient. If so, we would like to look into it. We could compare what they put into it with what they could get in the region, and what we are putting into it.

Mr. HAYS: We know that alfalfa cut in the first week in June is more nutritive than alfalfa cut in the last week in August.



Mr. LANGLOIS: You mentioned C.W. No. 2 oats. That is different from feed oats which you usually get along with mixed grain. Would you need more nutritive ingredients added to that if you used C.W. oats and things like that? I wondered if you had a special paper on it?

Mr. RAPP: I am sure that in one branch of our research all western farmers are greatly interested, and that is research into leaf rust and stem rust. I recall only last summer when we had so much rain everybody was talking about leaf rust and how it could destroy our crops. I know Dr. Anderson is qualified to answer this question, but I am mostly interested in knowing how much the federal government contributes to this research in the field of rust, stem rust or leaf rust? And if there is not enough, what is the result of not having enough funds to provide good research terms and good research work on this particularly important question.

Mr. ANDERSON: The answer to that is I think that in all probability the Canadian Department of Agriculture research station at Winnipeg is recognized throughout the world as an outstanding centre for research on rust, and for the breeding of rust resistant varieties. For example, we have not introduced a variety of hard spring wheat into western Canada from the United States, despite their colossal breeding program, since 1935. At the same time they have taken from us Selkirk which covers a very large percentage of their spring wheat acreage, and Chinook and Rescue. We seem to be doing rather better than the United States in the development of varieties for northern use. I think we are fortunate in having really outstanding scientists at our research station at Winnipeg. Unfortunately one of them died recently, and another retired, an outstanding scientist who was director of the station. But we have some very good youngsters coming along in that station and we feel that they have the situation well under control. It is true that we lost some yield in certain areas in the south to leaf rust this year. But good progress is being made in that area. There are three varieties under development at the present time, and we hope at least one of them will meet our agronomic requirements, prove to be rust resistant and of good bread making quality and that we can release it within the next two or three years.

Mr. RAPP: Is there any truth that the Thatcher wheat has lost some of its resistance that it had maybe about ten years ago? I mean its resistance to leaf rust and to stem rust? How true are these rumours? There is talk among the farmers that the Thatcher is not as rust resistant as it was when it was introduced in the west.

Mr. ANDERSON: It was never classed as highly resistant. The Thatcher has not changed. It is the rust that changed by developing new races.

Mr. HAYS: Dr. Anderson is probably the greatest scientist of all in so far as this is concerned, and he was in charge of the Winnipeg research before coming to Ottawa. I thought some of the members might be interested.

Mr. RAPP: His name is well known in the west.

Mr. DANFORTH: I have another general question on the first item of research, and I would like to ask this: is there a separate department in the field of research dealing specifically with the production of useful products from agriculture? It seems that in time of war there is always a desperate scramble to secure items or buy products or new products, or more agricultural produce? We are certainly troubled with surpluses in specific areas of agriculture. Is there a definite department, or do we correlate our work nationally or internationally or just what is our specific position in this very important field?

Mr. ANDERSON: In general I think the responsibility lies most heavily on the prairie regional laboratory of the national research council at Saskatoon.

I think it would have to add that it is an area in which I have done a good deal of study and thinking, and it is not, so to speak, a profitable one. The lines of research that one thinks of generally tend to emphasize lower economic returns for other uses for agricultural products other than for food and feed.

Mr. DANFORTH: I can appreciate that, and I know there must be many trials and many products which are scrapped owing to an uneconomic basis of production. But surely if we open many uses in some area for a specific product, I wonder if we have some department which is pursuing its own policy on such research in relation to this particular field in dealing specifically with, for example, oil bearing seeds, or on the whole field of agriculture? Have we a definite department or section or committee—or you may use any terminology you wish—or something directed constantly towards this particular effort?

Mr. ANDERSON: I think you have in the prairies laboratory of the national research council in Saskatoon an organization that is working in that field and has a watching brief.

Mr. DANFORTH: May I ask a supplementary question?

Maybe I am naturally a suspicious easterner, but is this dealing specifically with western grains or does it have something to do with the entire field?

Mr. ANDERSON: There are not so many products in the east that are not in the west that have promise in this area, and you yourself have said there is a problem that relates to surpluses.

Mr. PETERS: May I ask a supplementary question?

Is research still going on in this particular field of butter oil?

Mr. BARRY: Do you mean in relation to the use of butter oil?

Mr. PETERS: I find on talking to commercial people that they have no use for butter oil, yet we continually are converting butter into butter oil.

Mr. BARRY: I would not agree that there is no use for butter oil. Indeed, butter oil is just pure butter fat and it can be used for industrial purposes such as ice cream manufacturing, for confectionery of all kinds, and so on. This is not butter that can be used as a spread. Butter oil is not quite suitable per se for household use as a spread, obviously; but it is not right to say there is no use for it at all, because butter oil is quite usable for icecream, cheese processing, bakery, confectionery and all these things.

Mr. PETERS: Has there not been some research into finding more outlets? You mentioned that you can substitute other oils at a much lower price. It is a high-priced product. If research was to be successful it would have to provide a market at a competitive price to butter fat or actual butter.

Mr. BARRY: The point I am making is that although it is true that other products might be used in these commodities, to the quite considerable extent that they do use butter, butter oil is substitutable. We have done some work to try to determine whether butter oil, for instance, could be converted to a suitable cooking fat, but this has not been successful.

Mr. PETERS: But the work is continuing?

Mr. BARRY: Yes.

Mr. PETERS: Where is that done?

Mr. BARRY: We are doing that here at the food research institute of the research branch.

Mr. PETERS: In Ottawa?

Mr. BARRY: In Ottawa.

Mr. WATSON (*Assiniboia*): I wonder if Mr. Anderson could give us a progress report on what they are accomplishing with chemicals to control wild

buckwheat. There is no chemical at the present time that has complete control of wild buckwheat. I know there are products that will affect it if it is very small, but there is no chemical at the present time that has complete control of wild buckwheat.

Mr. ANDERSON: I was reading an article in this area within the last two or three days dealing with some of our weeds that are particularly difficult to control, and I cannot for the life of me remember whether wild buckwheat was in it. In other words, we have research covering these areas, but specifically on the question of wild buckwheat and the chemical to control it, I am sorry my memory will not produce the detailed answer.

Mr. WATSON (*Assiniboia*): I wonder if Dr. Anderson could get this information for us or, if it comes back to him, if he would possibly funnel it into the report or send it to me.

Mr. ANDERSON: I will be glad to do that.

Mr. VINCENT: To follow the question put to Dr. Anderson by Mr. Peters, beside the casein which is converted to plastic, there is no dairy product which can be converted in the industrial field as casein is converted in plastics. There is nothing else in dairy products?

Mr. BARRY: I know of nothing beyond that.

Mr. ANDERSON: I think you can do all sorts of things with butter oil, but you will not get the price for it if you do because you are competing with such cheap oils.

Mr. VINCENT: Are we not giving a subsidy to casein especially to convert it to plastics for export, for example?

Mr. BARRY: Not quite in that sense, I would think, Mr. Vincent. We have provided some export subsidy on casein for export, along with a similar subsidy we provided on skim milk powder.

Mr. VINCENT: This is converted to some sort of plastic?

The CHAIRMAN: I have an indication from Mr. Rapp that he wishes to speak. The minister and the deputy minister have asked to be excused. Dr. Anderson and Mr. Phillips are able to stay with us. If it is the committee's pleasure we will excuse the minister and the deputy minister. I thank them for being here and giving us as much time as they have today.

I think we have so far been over the subheadings of animals and crops in our questions dealing with research, and our next subheading is soils. I am not suggesting we go on to soils, but I am pointing out that we are ranging over animals and crops and when we have completed those we will move on to soils. So we will confine our questions to those two areas.

Mr. VINCENT: Is Mr. Chagnon still overseas or is he back?

Mr. ANDERSON: He is not back from F.A.O. meetings in Rome.

Mr. VINCENT: When do you think he will be back?

Mr. ANDERSON: Next week.

Mr. VINCENT: Then we might just try to get the deputy minister in each committee in the future.

The CHAIRMAN: I think these gentlemen will be quite competent as far as we need to go on research today.

Mr. RAPP: I would like to ask Dr. Anderson whether he has any information on this new variety of sunflower that they have brought in from Russia. I know in my area they have some experimental plots for this seed. It is supposed to have a very high oil content, much higher than any other sunflower seeds they have on the North American continent.



Would you be able to give us some information on it? It is a matter of great interest to the area in which I live where they have quite a few experimental plots with this new variety of sunflower.

Mr. ANDERSON: It is doing extraordinarily well actually in yield of seed and in yield of oil in the seed. We have it under extensive test. We are interested also whether it will stand up from the point of view of disease, but it looks as though it is quite a break-through. If it proves to be as promising as it appears now from the results of this year's yield, I think we will have an excellent place for it in Canada though we have not yet the results of this year's oil content.

Mr. RAPP: What is the name of this sunflower?

Mr. ANDERSON: It has a Russian name but I cannot remember what it is.

Mr. RAPP: I think it is a name something like "Cuban".

Mr. DANFORTH: If we are going back and forth I have a question concerning nutrition of animals in research. At the present time there is a great drive towards chemical additives to food stepping up the efficiency of the conversion of food into meat. I am wondering what is the vehicle of disseminating this information to farmers. Do we have to wait until we see the large coloured advertisements of feed companies who propose that their feeds, because of a new additive, have super values? Or is there some definite publication to which an ordinary farmer might subscribe to know exactly what is going on in the nutritional field? Do they get it from agricultural representatives? Do they get it provincially? Do you get it federally? How is this information spread? There is a tremendous amount of good work being done in this field and we are aware of it, but sometimes there is too much time lapse from the work until the results are in the hands of the farmer and the feeder himself.

Mr. ANDERSON: I think you yourself have mentioned all the ways in which this information can get to the farmer. Publications are put out by the provincial people and the federal people giving information about the work done and recommendations. The manufacturers themselves have a great interest in getting this information out. I think these methods must be reasonably effective. I do not think our good farmers are far behind the knowledge that is generally available.

Mr. DANFORTH: There must be some definite program on behalf of your department when something has been approved. Is it given to a provincial publication and is it given priority? Is it put in the racks of all the agricultural representatives? I would like to know what is the vehicle.

Mr. ANDERSON: We have an information division which is responsible for getting out bulletins covering all areas in which we feel information should be got out to the farmers, and we are steadily publishing such bulletins. I think sometimes these are obtained by individual farmers, but they go normally through to the agricultural representatives because it is the provincial people throughout Canada who take the main responsibility for this extension work.

The universities do a great deal of this work also, and speakers at various meetings also spread knowledge. The agricultural press carries items. There is a continuing effort to get this information out through a variety of sources including sometimes even television and radio.

Mr. DANFORTH: In other words, it could be termed an agricultural publications department?

Mr. ANDERSON: Yes. But just a minute; I was willing to stop at agricultural public relations, but I do not know that we have a department for it. We have a scientific section—

Mr. DANFORTH: No one assumes the direct responsibility of correlating this information?

Mr. ANDERSON: Our scientific information section.

Mr. DANFORTH: Is there a definite place where a mailing list could be established in a specific program? Assume a cattle feeder is interested and wants to know what information there is available: is there someone to whom he can give his name and address to make sure he receives the available information, both nationally and internationally?

Mr. ANDERSON: Yes. If he writes in and makes such a request we would look after it, although we would normally expect the agricultural representatives of the provinces to deal with that, and a good deal is done in that way. Also a good deal is done through provincial universities and agricultural colleges. This is the normal source to which farmers apply for information.

Mr. DANFORTH: Could I be safe in assuming, then—and I do not want to belabour the point—that if a farmer uses normal business procedures to accumulate information, the information is available to him?

Mr. ANDERSON: I think so.

Mr. PETERS: What type of reports are there, and how are they made in such fields as hormones that have been used as additives to foods, which have been very controversial? Secondly, what has been done about the use of stilboestrol in the production of beef?

Mr. ANDERSON: These are areas in which a great deal of research is required in order to find final answers, but it looks as though many of these products are useful. We think they will not tend to have harmful side effects.

Mr. PETERS: In this mention of stilboestrol, we were interested in some development taking place at the university of Saskatchewan two or three years ago. At the time I telephoned about a hundred people in agricultural departments and they were using this for abortion purposes in feeder stock. I could not find anyone who knew anything about this. There was a problem of large dosages producing very heavy and long range residues. This was experimental. Had that been completed?

Mr. ANDERSON: I am sorry, I cannot tell you. Animal science is the area in which I am least at home.

Mr. RAPP: Mr. Chairman, since there is only an hour before 6 o'clock, would you not allow us to ask questions on points in which we are most interested? There are about 40 more pages in our book and I do not think we will be able to get through them all.

The CHAIRMAN: I will leave this to the committee. I am entirely at the committee's disposal. I would not want to start asking questions if we were going to have to come back again. When the meeting opened we took the report as read.

Mr. DANFORTH: I have some specific questions I would like to ask under the heading of crops and wheat controls that are of vital interest to me, and I know they are of vital interest to the member from Essex South. I am sure he has some questions to ask also.

The CHAIRMAN: Let us move as quickly as possible and then we can go through each heading.

Mr. TEMPLE: We are coming back later, are we not, to dairy products?

The CHAIRMAN: Yes, that is still open. Those two sections have been stood.

Mr. WHELAN: I had some questions to ask Dr. Anderson but first of all I would like to comment on one of the questions I asked him earlier.

I would like to ask a question in regard to the facilities for experiments in processing food. I know, Dr. Anderson, what they have at the Harrow experimental farm, and I would not call it adequate, though it may be adequate for what they are actually trying to do now. However, I would not think it was adequate for advancement. What they have there was a barn, and they discontinued raising Hereford cattle in that barn and turned it over to this purpose. We have strong demands—and probably Mr. Danforth has the same from Kent—for research facilities for tracing mineral deficiencies and trace elements for absorption of pesticides and insecticides in plants. We have a strong feeling in our area that our facilities are inadequate, and that our research people are handicapped by this. Would you like to comment on this, Dr. Anderson?

Mr. ANDERSON: We have to consider our program throughout the branch as a national program. We do not attempt, generally speaking, to do everything everywhere. Harrow is not one of our main centres for food processing. We have one at Ottawa; we have some at Smithfield, Ontario; and we have a good deal at Summerland, British Columbia. We also have some at Lethbridge and some at Morden, which are perhaps more comparable with Harrow.

Dr. Barry said earlier "If you had asked me if our research facilities were adequate, being a scientist I would have to have some reservations." But I think on the whole we are doing a fairly good job with the resources available to us, and these are quite large. They are very widely spread from one end of the country to the other, and certainly in this field we have the universities, we have industry and we have a good deal of help from the provinces. In some provinces we have more help than others.

Mr. VINCENT: And there is good coordination between all these people.

Mr. ANDERSON: Yes, and it is developing all the time.

Mr. VINCENT: I known that from experience.

Mr. WHELAN: Our area of Canada is probably the most concentrated section of Canada as far as agriculture is concerned and it is the largest as far as food processing is concerned. There is concern on the part of the public in regard to all these reports that you read on pesticide and insecticide absorption and carry-over in food products, and also the write-ups and articles one sees in mineral deficiencies in soils and sometimes an over-abundance of some types of minerals in the soil. Our scientists and some of our doctors claim that this affects the health of the nation. My concern is not just for our area but for the whole nation. For leaf testing you could test practically any type of crop regardless of where the station is located. Is that not right?

Mr. ANDERSON: Yes, it is true, if you have enough manpower and analytical equipment you can lay on exhaustive tests in this field.

In the area of food processing I think we should bear in mind that we expect industry to carry a fair load in this field. I think none of us here would feel that the federal government should be carrying the total load in any of these areas where there are other segments that might carry their share. Industry does exhaustive testing in your area, for example.

Mr. WHELAN: I am thinking, for example, of the fresh fruit and vegetables, which go on the market. Testing of these would be by the producers themselves, maybe by producer organizations. They could contribute to it. Then there are imported vegetables coming in at the border point near Harrow. The large bulk of it comes in through the border point of Windsor.

Mr. PHILLIPS: Are you now speaking about testing imports of fresh fruit and vegetables?

Mr. WHELAN: Yes.



Mr. PHILLIPS: This is in food and drug.

Mr. WHELAN: This is what annoys us. I am saying these departments should work together. The same laboratory facilities could be used. My understanding, the layman's understanding, is that these facilities could be used for testing vegetables and other produce. They are only a short distance away. This is an area in which the facilities for food and drug and experimental farm organizations, with proper laboratory facilities, could work in closer harmony and really do a good job.

Mr. PHILLIPS: There is no question in my mind about the cooperation that now prevails between food and drug and agriculture. There is not a week goes by but there are several meetings between both in all these fields. They certainly are coordinating. Some of the national committees that Dr. Anderson mentioned earlier have committees in areas that overlap.

Mr. DANFORTH: May I ask a supplementary question on that particular topic?

Is there any facility in south-western Ontario that is available but is not being used to top efficiency because of ignorance on the part of the farm organizations on the point that it is there and available? In other words, is it possible when there is such a tremendous field for services to be provided for specific purposes that the facilities are not being utilized because we have not the necessary knowledge of it? Are there instances where facilities such as those at Harrow are available and not being utilized?

Mr. ANDERSON: No, I think the reverse is the case. All the services we are able to provide are used to the maximum extent. There is an overload, if anything.

Mr. DANFORTH: Then that gets right around to the statement that was made that the facilities were adequate. Now you speak of an overload.

Mr. ANDERSON: I said I thought the facilities were generally adequate, having regard to the area we must cover in Canada. As soon as you get down to any specific area, you can realize that you can double the staff and still keep them busy; but I do not think the country as a whole can afford to do that.

Mr. DANFORTH: I can appreciate that and I am satisfied with your answer. There are no facilities that are not being used.

Mr. WHELAN: I do not know what in the world we in south-western Ontario would do without the facilities and I know they are taxed to the limit. I do not know how the staff cope with the people making use of their facilities. I just want to say I think they are doing a wonderful job, but I can see one area of expansion that would not just be beneficial to the agricultural industry but to the nation as a whole and the world as a whole. There has been work done at our experimental farms in Canada that has been outstanding and that has benefited the nation and the whole world, for example, the development of the Harrow soybean at Harrow, Ontario. That bean is grown in nearly every area of the world where soybeans are grown.

Mr. VINCENT: I would like to ask a question of Dr. Anderson about overloaded facilities. Is it not true that this is especially apparent in the last 15 days of October in soil testing? I have been studying soil and vegetable testing; and with all the facilities we have from companies, from cooperatives, from provincial and federal governments I think right now we have enough facilities for soil testing and everything like that. My study on that showed that the month in which we were overloaded was only October, and then in the rest of the year we had only two or three people working in the laboratories. I think it is the same thing for the government, especially on soil testing.

Mr. ANDERSON: Soil testing is handled by the provincial people not by the federal people.

Mr. VINCENT: And by some companies.

Mr. ANDERSON: And by some companies, yes.

Mr. WHELAN: I do not want to confuse the issue any more, but the government farms at Harrow are continually working on research all the year round, and soil testing is one of the things they do not do, or maybe they just do it for their own knowledge and not for the public. They do plant research and they spend all kinds of time on it. I know these people are taxed with advising the public, and the growing season there is practically 12 months because of a huge greenhouse industry that produces cucumbers and tomatoes all the year. They are always running into plant diseases. These people are constantly called upon. Then the plant growing area for early vegetables means there is work in February and March, and sometimes early November. So these people are constantly bothered for such things when they are trying to do their own special research projects. They are hampered in their own projects by the growers themselves practically the whole year round.

The CHAIRMAN: Are we ready to leave animals and crops and move to soils?

Mr. PETERS: In relation to crops, and generally, is our international connection adequate as far as research is concerned?

Mr. ANDERSON: Yes, I think so. We are constantly bringing in varieties of crops. One was mentioned today, a sunflower that came in from the U.S.S.R. We frequently find that they have only one characteristic we can use and that varieties are not suited to our climate. But I would think, in general, our relations are excellent for plant introductions and everything associated with crop production.

Mr. NASSERDEN: Are there any studies being carried out in regard to egg powder and the undesirable effects it was reported to have during the past year with regard to cake mixes that were being put on the market containing egg powder.

Mr. ANDERSON: You are speaking about my field of specialty but I must admit I have not even heard of it.

Mr. DANFORTH: I have another point of a general nature which I think is important. I would like to know the mechanics of sending personnel internationally to conferences and so on. We have heard of junkets and all the rest in the press, but I, with the other gentlemen here I am sure, realize how important it is for our key personnel to travel around this world to see for themselves what developments are taking place in the field of agriculture. May I ask, sir, how it is determined when a man shall go, and how it is financed? Is it under an estimate in the department and must it be made a year ahead, or is there some leeway? Does a man engaged in scientific work in a particular field have the opportunity to determine what conferences he shall attend or where he shall go? How is this determined? Is it determined by the departmental head or is there some specific way in which the work of relative importance is done so our men will have the opportunity not only to learn but to observe first hand?

Mr. ANDERSON: It is determined by me and my top staff. We normally know, for example, what international conferences and what special symposia are to be held each year. Men are frequently invited to contribute papers to these and to attend them. The requests normally come through from our various establishments across Canada and in Ottawa for certain members of their staff to attend certain conferences. We will consider these and allow as many of them to go as possible, balancing out the program as our finances will permit. In addition, we have the possibility of what we call work transfer,

when one of our men will go to a particular station in Europe, the United States, the United Kingdom and perhaps spend a full year there. We also have many scientists from other countries visiting in Canada. This also enables us to get the kind of contacts that we wish to have.

I think we do fairly well in this area, although of course we would always like to be able to send more men. However, I still think we do fairly well.

Mr. DANFORTH: Are you limited under a definite amount? Is there so much allocated each year for this specific purpose?

Mr. ANDERSON: We normally put our recommendations forward. Next year, because of a particular set of circumstances, there happen to be four very large international gatherings and we will in all probability get more money to send representatives to these this year than any other year. This, as I say, is because so many large and important conferences come in the same year. We put them forward in estimates and they will be considered by the usual system.

Mr. DANFORTH: I think this is such an important field that the committee wants to be quite familiar with the importance of this type of work and the necessity for having adequate funds for an adequate survey of the international work. I think Dr. Anderson would find quite a lot of support in this very committee on this matter.

Mr. WHELAN: I agree that we should get as much information as we can from the world, but if I understand things all right—and I do not know if this has changed—there were not even sufficient funds to hire adequate staff this year in the experimental stations. You were not allowed to take on new people, were you, under the austerity program?

Mr. ANDERSON: There was a limitation on recruiting which was relaxed some few months ago to enable us to build up to a ceiling of 93 per cent of the establishment that we now have.

Mr. DANFORTH: A limitation on recruiting? Were the fields specified as to limitations? Certainly there is a variance in the importance between the man carrying a shovel and the man using a pipette. How was this limitation effected?

Mr. ANDERSON: The limitation was a general one, and I would have to go back for some details of its history to tell you exactly what it was. It was not completely firm. We were able at one time to hire one man for every 10 separations, and then it went down to one in 5, and then it was subsequently relaxed so we could build up to 93 per cent. In this 93 per cent, we obviously use our own judgment as to what particular classes of staff we hire and for what particular jobs, and we try to do this on a basis of priority.

Mr. DANFORTH: If that is the yardstick I am satisfied?

The CHAIRMAN: May we move on to soils?

Mr. DANFORTH: I have another question on crops.

There is a tremendous amount of work being done in the introduction of new varieties of corn, and it is of very great importance to south-western Ontario and the area I represent. I would like to know, sir, when a variety is tested, as it is in the various experimental stations, is it turned over to a private company for the production of the seed and the promotion of sales? If it is turned over to a private company, how is that private company picked out of the many that are available, and is there any charge for this particular service?

Mr. ANDERSON: As you know, sir, hybrid corn depends on two lines to produce hybrid seed. This is an area in which we are doing work on the development of lines and naturally on preparing hybrids and testing them. We are not



producing hybrid seed ourselves for sale. We are, as I recall it, licensing the lines that may be produced and making these available to those companies that produce hybrids.

Mr. DANFORTH: I understand that, sir, but what I am getting at is the mechanics of it. You say you are licensing. Does that mean when a new variety is produced and determined there is a revenue coming to the government due to this transfer? How do you pick out a specific company?

Mr. ANDERSON: In all our crops I think, and I speak with much more familiarity about wheat and barley and the like, when a variety is considered satisfactory for growing in Canada, that is when it may be sold for seed, it must be licensed. Before it may be sold for seed it must be licensed by the Canada Department of Agriculture. Once it is licensed, then anybody may multiply it and sell it for seed. Naturally, in many of these areas it comes under the seed growers association for the production of registered seed, certified seed and the like. This gets into a whole new area of government control of the purity of the seed that is made available to farmers under registration.

Mr. DANFORTH: But there are a number of very competitive companies in this field and there are a few Canadian companies, although they are in the minority. I would like to know the mechanics of the transfer of the licensed seed into the hands of the company for production and sales. I know there are companies that do furnish definite lines of test seed, to the universities and to experimental farms to be tested and therefore they are entitled to be licensed if the variety passes the required government tests. But I also know that there are new varieties produced by the experimental work of our own men. I would like to know how it is determined that company "X" shall have the licensed right to a particular hybrid rather than company "Y".

Mr. ANDERSON: Might I have a brief statement on this prepared in writing for the questioner or committee?

The CHAIRMAN: Is it agreed that a statement be appended to these proceedings?

Agreed.

Mr. DANFORTH: I would appreciate that very much.

Mr. CARDIFF: May I ask a question on the control of wheat seed and corn? For instance, when a company sells a spray for the control of wheat or corn, have they to place on the advertisement the strength of that spray and the amount that is supposed to be used for it? How is it controlled?

I will tell you why I am asking the question. Some years ago we hoed our corn to hoe out the weeds, but now no-one hoes any corn any more; everyone sprays it now. Sometimes they spray it so severely that it kills the weeds and the corn will grow, but nothing else will grow after for a year or two. For instance, if wheat was sown on the land the next year you would not get a crop of wheat. I wondered if there was enough information on the use of this given to these companies who sell the spray for it to protect the ordinary person who is using it. In some cases—mind you it is not always so—it is too heavily used and wheat will not grow nor will anything else grow on that field for two or three years after.

Mr. PHILLIPS: Do you want a run-down on how we handle the application?

Mr. CARDIFF: Yes.

Mr. PHILLIPS: In regard to these herbicides, the company producing them must make application to the department under the Pest Control Products Act, and they must establish its efficacy and its safety. Then when they have the registration, it is registered under certain conditions of use and these are specified on the certificate that goes out. They are required to put those directions

on the labels of the product. The farmer obtaining that is then expected to follow the directions on the label, but as you indicated in your comments, sometimes they put on too much spray and if they do so then they may run into trouble.

I am slightly familiar with one experience this spring in southwestern Ontario where there was a problem with regard to sugarbeets because of a heavy application of spray, but I am not right up to date on it. I understand there was a peculiar number of circumstances that developed because of weather and so on. It is a carry-over from the previous year, and it is a very small percentage of the area that was affected. I forget how many acres were affected, but it was not too many. In this whole area of pesticide use, there is a question of getting the producer to follow the directions, and this is most important.

Mr. CARDIFF: That is the reason why I asked the question. I wondered who was to blame for it if there was not sufficient advertisement on the label.

Mr. PHILLIPS: We police that. Our inspectors police the labels of these products to see that they conform with the recommended directions, and if they do not they are taken off the market. However, the real problem area is misuse and not following the directions.

Mr. DANFORTH: May I ask a supplementary question?

You dealt with sugarbeets, and I remember I raised this particular point before. Has there been any recommendation to the manufacturers or distributors of these products, or has there been any change in the amount recommended for application due to the fact that this residual killing did occur, or has it been written off as a factor due to the particular climatic conditions that existed at that particular time? Has there been any follow-up? This is my question: has there been any follow-up or recommendation either to the distributor or farmer in this particular instance?

Mr. PHILLIPS: There has been definite follow-up but I cannot tell you what the result was. The Harrow experimental station went into it with the scientists here in Ottawa. They went into all angles and I am sure this has been translated to the staff of the plant products division, but I am not sure what was done with it though I am sure it was looked after.

The CHAIRMAN: May we move to soils?

Mr. Langlois, you had a question on soils?

Mr. LANGLOIS: This might also fall into the provincial field, and if so you can tell me and we will leave it aside.

I think the federal government—correct me if I am wrong—has done something concerning the quality of soils and ingredients that might be added to the soils, such as limestone and so on and so forth. Does the federal government have a subsidy on that, or is that entirely provincial?

The CHAIRMAN: We are still within a specific statute.

Mr. LANGLOIS: Do you prefer that I delay my question?

The CHAIRMAN: Proceed with your question.

Mr. LANGLOIS: Has the federal government any subsidy on that?

Mr. PHILLIPS: Yes, it is a cooperative policy with the provinces requiring lime assistance. I believe it is seven out of ten who require this assistance. The only three who do not require it are the prairies. Under that policy, the federal government pays 60 per cent of any direct expenditures of those provinces in the promotion of lime utilization.

Mr. LANGLOIS: If I am not mistaken, you have a certain amount of mileage which is allowable. I think it is 40 miles.

Mr. PHILLIPS: The administration of policy and details with respect to it is provincial and the federal shares the cost. We pick up 60 per cent and they pick up 40 per cent.

Mr. LANGLOIS: Do you have any control in this field on the quality of the limestone applied to the soils?

Mr. PHILLIPS: I know that in most cases the limestone is checked to see that the money is spent on a proper quality.

Mr. LANGLOIS: In my region we have to go a round trip for the limestone. It is approximately 40 miles. We have to go around Quebec city to get it, or in the other direction we have to go to Limeridge, which is just as far off from the other side.

The situation is that we have a deposit at the moment right in the centre of our region, which is an agricultural region; yet we have to go this distance to get the limestone. According to the pH test it was one of the best in the province. Would the federal government not be able to help us so that the farmer can get his limestone on the spot. At the moment they have to leave the job and sometimes wait for three days before they get their truck load of limestone. Sometimes the man who goes out to get it does not know whether it is good or not, and sometimes he gets the left-overs.

Mr. PHILLIPS: I would be glad to check with our provincial counterparts about this. I am sure they would be as interested to use the deposit close by as you are, to save expenditure.

Mr. LANGLOIS: We might as well keep each to our own. I want to find out if there is any specific help given by the federal government.

Mr. PHILLIPS: There is no direct assistance. It goes through the provincial set-up and they administer the policy and submit their accounts. We check them and pay 60 per cent of the expenses.

Mr. LANGLOIS: Does your department do any research on that to confirm the quality?

Mr. PHILLIPS: This is a provincial matter.

Mr. LANGLOIS: But they have the research board to help also.

Mr. PHILLIPS: The matter of soil testing is a provincial responsibility and they accept it. They have laboratories for testing soils, and this is in direct relationship to soil testing; it is adjusting the Ph of the soil and it would be the same laboratory that would be doing this type of thing. It is in the provincial realm.

The CHAIRMAN: Possibly Mr. Langlois you might like to accept the offer of Mr. Phillips to form a liaison with the people of the province in regard to this particular lime deposit you have in Quebec. He can help you on that.

Mr. LANGLOIS: It would be of great assistance because this concerns quite a big region. I think it is a radius of over 89 or 90 miles of agricultural land which would be concerned with that. If it will cut down the prices and the cost of transport it would certainly help a great deal there.

Mr. PHILLIPS: I suggested I would form a liaison with the provincial man in the province, not with the quarry.

The CHAIRMAN: I appreciate that. You will form a liaison with the provincial department.

Mr. SOUTHAM: May I ask a supplementary question?

Have the witnesses any information as to the exact cost of this program as far as providing lime for the seven provinces you mentioned in, say, an average year?



Mr. PHILLIPS: In the current year the expenditure will be approximately \$1,608,900 across the board, federal expenditures.

Mr. VINCENT: Last year it was much bigger than that.

Mr. PHILLIPS: Last year it was higher by some \$200,000.

Mr. VINCENT: Last year it was higher, it was \$2,471,000.

Mr. LANGLOIS: May I ask a supplementary question?

The limestone used for pulp mills is of approximately the same quality as that used on the soil, is it?

Mr. ANDERSON: I would think so.

Mr. PETERS: May I ask a supplementary question? In Ontario many requests came from farm unions and other agencies asking for this limestone subvention to be extended to the field of fertilizer subvention. What consideration has been given by the department to these requests that were made from quite a number of agencies?

Mr. PHILLIPS: I have not been aware of any request for extension into fertilizers. There is some question about the lime, whether in fact it is not a provincial responsibility to supply lime or fertilizer. Quebec happens to have a policy respecting fertilizer assistance, but I realize you are dealing with Ontario.

Mr. PETERS: The thinking lying behind the adding of lime as a soil conditioner is the same as for fertilizers. The subventions covering the one in my opinion could be extended into the field of fertilizer subvention.

Mr. PHILLIPS: I would imagine that is a question not for me to answer.

The CHAIRMAN: It is a question of policy, is it not, Mr. Peters?

Mr. PETERS: The reason for the subvention on lime originally was because of the deficiency that was apparent in many of the provinces.

Mr. PHILLIPS: No, the reason for the lime deficiency policy dates from the war when there was the necessity for an increase in livestock production and the need for lime if one had to have the proper forage stands. During the war it was brought in.

Mr. VINCENT: And increased in 1958.

Mr. PHILLIPS: It has been increasing considerably since the war.

Mr. LANGLOIS: Referring to Mr. Peters' question on the fact of subsidizing the lime to the extent of the fertilizer, that would come from the minister, would it?

The CHAIRMAN: I think it is a matter of policy, really, is it not. The Limestone Assistance Act is a matter of policy and I think the suggestion of subsidizing fertilizer would be a matter of policy also. I think Mr. Phillips, as he has indicated, is really in no position to answer that.

Mr. PHILLIPS: It is generally considered that the federal department will look into methods for production.

The CHAIRMAN: We will adjourn now. I would like before we do so to thank Mr. Phillips and Dr. Anderson for their help to us today. I believe we will meet again on Thursday morning with the wheat board.

APPENDIX 1

|  | Sample Wheat |          |                 |          |                   |          |
|--|--------------|----------|-----------------|----------|-------------------|----------|
|  | Basis No. 5  |          | No. 1 Feed Oats |          | No. 1 Feed Barley |          |
|  | Per. Bu.     | Per Cwt. | Per Bu.         | Per Cwt. | Per Bu.           | Per Cwt. |
| Price in Store Fort William, Nov. 20, 1963...            | \$1.85       | \$3.08   | .755            | \$2.21   | \$1.0825          | \$2.255  |
| Lakehead elevation.....                                  | .0284        | .047     | .0284           | .08      | .0284             | .059     |
| Lake freight <sup>(1)</sup> .....                        | .095         | .16      | .08             | .235     | .09               | .187     |
| Vessel brokerage.....                                    | .0025        | .004     | .0025           | .007     | .0025             | .005     |
| Insurance (Marine etc.).....                             | .0025        | .004     | .0025           | .007     | .0025             | .005     |
| St. Lawrence outward elevation and switching.....        | .015         | .025     | .0126           | .037     | .0147             | .030     |
|  | 1.9934       | 3.321    | .8810           | 2.576    | 1.2206            | 2.541    |
| Deduct freight assistance.....                           | .15          | .25      | .085            | .25      | .12               | .25      |
| Net cost on track <sup>(2)</sup> Montreal.....           | 1.8434       | 3.07     | .796            | 2.326    | 1.10              | 2.271    |
| Brokerage.....   | .0125        | .02      | .0125           | .037     | .0125             | .026     |
|  | 1.86         | 3.09     | .8085           | 2.36     | 1.1125            | 2.297    |
| Gross wholesale selling price <sup>(2)</sup> Montreal... |              |          |                 |          |                   |          |
| Transport Cost to 15¢ rate point in country...           | .09          | .15      | .051            | .15      | .072              | .15      |
|  | 1.95         | 3.24     | .8595           | 2.51     | 1.1845            | 2.447    |
| Gross price on track retail point.....                   |              |          |                 |          |                   |          |
| Deduct freight assistance.....                           | .09          | .15      | .051            | .15      | .072              | .15      |
|  | 1.86         | 3.09     | .81             | 2.36     | 1.11              | 2.30     |
| Net cost on track retail point.....                      |              |          |                 |          |                   |          |

(1) Lake freight has varied this year as follows:

- Wheat 9 to 12½ cents per bushel
- Oats 6 to 11 cents per bushel
- Barley 7½ to 12 cents per bushel

(2) These items will increase by two factors where appropriate

- (a) Interest on cost price between purchase date at lakehead and selling date to retailer. The level varies by merchant but can be calculated at approximately 7 per cent or one-half cent per month.
- (b) Storage cost on time in eastern elevator. Storage cost is 1/30 cent per day or 1 cent per month. Under the current federal storage assistance policy all of this cost factor is paid during the period October 15 to April 15 the following year.

*Spread in price between grades*

*Oats*

- No. 2 Feed Oats 3 cents per bushel under No. 1 Feed Oats
- No. 3 Feed Oats 6 cents per bushel under No. 1 Feed Oats.

*Barley*

- No. 2 Feed Barley 1 cent per bushel under No. 1 Feed Barley
- No. 3 Feed Barley 4 cents per bushel under No. 1 Feed Barley.

These are the prices paid by retailers for bulk grain on track their places of business, subject to modifications indicated and noted in footnotes 1 and 2. This grain is sold to farmers in two ways: as a component of mixed feeds such as dairy ration, hog grower ration, laying mash or broiler ration; and as straight bagged grain. About 85 per cent would be made into mixed feeds before sale and the remainder bagged and sold.

Grains and millfeeds constitute from 65 to 85 per cent of a mixed feed. The remaining ingredients include protein supplements, minerals, vitamins and drugs. These items vary considerably in price and usually are significantly higher in cost than grain.

In those cases where grain is sold by the bag to farmers, retail charges vary but would include costs of unload from cars, bags and bagging, credit and delivery to farm plus a profit. Bags and bagging about 15 cents per cwt. and mark-up to include the remaining factors would range around 15 per cent.

Some typical retail selling prices for bagged oats per cwt.

|                        |                                      |
|------------------------|--------------------------------------|
| November 21, 1963.     |                                      |
| Granby, Quebec.....    | \$2.90 delivered to farm             |
| Sherbrooke, P.Q.....   | 2.74 at mill (one dealer)            |
|                        | 3.05 delivered farm (another dealer) |
| Megantic, Quebec.....  | 3.00 delivered farm (one dealer)     |
|                        | 3.10 delivered farm (another dealer) |
| Plessisville, P.Q..... | 3.00 delivered farm (two dealers)    |
|                        | 2.90 delivered farm (one dealer)     |

## APPENDIX 2

STORAGE ASSISTANCE REGULATIONS—EASTERN ELEVATORS LICENSED  
UNDER CANADA GRAIN ACT

| Port                  | Elevator                        | Total<br>Licensed<br>Capacity |
|-----------------------|---------------------------------|-------------------------------|
| Collingwood.....      | Collingwood Terminals.....      | bu.                           |
| Midland.....          | Canada Steamship Lines.....     | 2,000,000                     |
| Midland.....          | Midland-Simcoe.....             | 3,106,000                     |
| Midland (Tiffin)..... | Renown Investments Limited..... | 4,250,000                     |
| Midland (Tiffin)..... | C.N.R. Elevator.....            | 900,000                       |
| Owen Sound.....       | Great Lakes Elevator.....       | 4,650,000                     |
| Port McNicoll.....    | C.P.R. Elevator.....            | 4,000,000                     |
| Goderich.....         | Goderich Elevator & Trans.....  | 6,500,000                     |
| Goderich.....         | Upper Lakes Ship Limited.....   | 3,000,000                     |
| Sarnia.....           | Maple Leaf Mills.....           | 1,600,000                     |
| Walkerville.....      | H. Walker & Sons.....           | 5,400,000                     |
| Port Colborne.....    | National Harbours Board.....    | 1,250,000                     |
| Port Colborne.....    | Maple Leaf Mills Limited.....   | 3,000,000                     |
| Humberstone.....      | Robin Hood Flour.....           | 2,250,000                     |
| Toronto.....          | Maple Leaf Mills Limited.....   | 2,000,000                     |
| Peterborough.....     | Quaker Oats Company.....        | 4,000,000                     |
| Kingston.....         | Canada Steamship Lines.....     | 1,000,000                     |
| Prescott.....         | National Harbours Board.....    | 2,350,000                     |
| Montreal.....         | National Harbours Board.....    | 5,500,000                     |
| Montreal.....         | Federee Elevators Limited.....  | 22,262,000                    |
| Sorel.....            | North American Elevators.....   | 750,000                       |
| Three Rivers.....     | Three Rivers Grain.....         | 4,480,000                     |
| Quebec.....           | National Harbours Board.....    | 9,300,000                     |
| Halifax.....          | National Harbours Board.....    | 6,000,000                     |
|                       |                                 | 4,152,500                     |



### APPENDIX 3

#### STATEMENT SUBMITTED BY DR. ANDERSON IN ANSWER TO QUESTION BY MR. DANFORTH

Breeding of corn hybrid-varieties in Canada is located at Ottawa and Guelph in Ontario, Morden in Manitoba, and Macdonald College in Quebec. By far the most extensive program is at Ottawa. Hybrid varieties developed at Ottawa have found their main use in Ontario. At present, 7 Ottawa varieties and 3 produced at Harrow years ago are on the recommended list for Ontario.

Decisions about the release of corn varieties for commercial production are made by the Ontario Corn Committee, a body dating back to 1941 and bringing together the interests of the provincial and federal governments, industry, and growers. This committee serves Canadian agriculture most efficiently and is an excellent example of co-operation between governments and industry in getting the benefits of research to the farmer.

A corn hybrid is adapted only in a relatively narrow range with respect to maturity and climate. In Ontario, the 81 recommended hybrids are grouped into 12 maturity classes and the province is divided into 7 climatic zones. For optimum performance a farmer chooses hybrids from among the group recommended for his zone. As early as 1938, it became obvious that, to serve agriculture best, good hybrids of proper maturity for a particular zone would have to be available through local retail seedsmen. The larger corn companies are producers and wholesalers of seed to various groups of retail outlets, and to achieve proper distribution each must have varieties suitable for the whole maturity range.

The Ontario Corn Committee operates corn trials at 8 locations with demonstration plots on 16 private farms. A company must pay to have a variety entered in the trials and it is limited to a certain number each year. Research workers may enter their hybrids without charge. The Corn Committee is responsible for assessing the data obtained each year. If any hybrid is deemed worthy, the committee recommends it for production in a particular zone of Ontario.

For a Canada Department of Agriculture hybrid, a company will request the rights to produce and sell it. A contract is made between the Crown and the company. The C.D.A. licenses the hybrid and gives it a Canbred number. At that time the seed on hand is sold to the company at \$3.00 per pound. In all cases the committee has ensured that the variety is sold to a Canadian company, or to a Canadian based subsidiary or representative of an American company. In the period of one or two years before commercial seed is available to farmers, the company applies for a change of variety name to one designated by the company.

Canadian bred hybrids are used almost exclusively in Canada as they are earlier than required in most areas of the United States. Over 65 other varieties have been developed in adjacent areas of the U.S.A. and are suitable for zones where early maturity is not a prime requirement.

Most of the hybrid seed sold in Canada is produced in Canada. Also, considerable seed is produced in Canada for export to the United States. For example, the Pioneer Hybrid Corn Company produces a great deal of its material for North America on Pelee Island in Ontario.

December 6, 1963



3  
HOUSE OF COMMONS

First Session—Twenty-sixth Parliament

1963

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STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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Respecting

Annual Report of  
THE CANADIAN WHEAT BOARD  
(Crop Year 1961-1962)

and the  
Supplementary Report on the 1961-1962  
Pool Accounts for Wheat

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THURSDAY, DECEMBER 5, 1963

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WITNESSES

*From The Canadian Wheat Board:* Mr. William Riddel, Assistant Chief Commissioner, Mr. R. L. Kristjanson, Executive Assistant, Mr. W. H. Cockburn, Sales Manager Coarse Grains, Mr. F. T. Rowan, Sales Manager—Wheat and Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963



STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

Chairman: RUSSELL C. HONEY, *Esq.*

Vice-Chairman: PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                                |                           |                               |
|--------------------------------|---------------------------|-------------------------------|
| Armstrong,                     | Groos,                    | Olson,                        |
| Béchar, d,                     | Hamilton,                 | Ouellet,                      |
| Beer,                          | Harkness,                 | Pennell,                      |
| Berger,                        | Herridge,                 | Peters,                       |
| Bigg,                          | Horner, ( <i>Acadia</i> ) | Pigeon,                       |
| Cadieu, ( <i>Meadow Lake</i> ) | Jorgenson,                | Rapp,                         |
| Cardiff,                       | Konantz, ( <i>Mrs.</i> )  | Richard,                      |
| Choquette,                     | Langlois,                 | Rochon,                       |
| Crossman,                      | Laverdière,               | Roxburgh,                     |
| Cyr,                           | Loney,                    | Stefenson,                    |
| Danforth,                      | McLean, ( <i>Queens</i> ) | Southam,                      |
| Dionne,                        | Mather,                   | Tardif,                       |
| Drouin,                        | Matheson,                 | Temple,                       |
| Émard,                         | Matte,                    | Vincent,                      |
| Enns,                          | McBain,                   | Watson, ( <i>Chateauguay-</i> |
| Éthier,                        | McIntosh,                 | <i>Huntingdon-Laprairie</i> ) |
| Forbes,                        | Mullally,                 | Watson, ( <i>Assiniboia</i> ) |
| Forest,                        | Muir, ( <i>Lisgar</i> )   | Whelan—60                     |
| Forgie,                        | Nasserden,                |                               |
| Gauthier,                      | O'Keefe,                  |                               |
| Gendron,                       |                           |                               |

(Quorum 20)

D. E. Levesque,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 5, 1963.

(5)

The Standing Committee on Agriculture and Colonization met this day at 9:35 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

*Members present:*—Messrs. Armstrong, Asselin (*Richmond-Wolfe*), Berger, Cardiff, Crossman, Dionne, Forbes, Gauthier, Gendron, Harkness, Honey, Horner (*Acadia*), Jorgenson, Langlois, Matheson, McBain, Mullally, Nasserden, O'Keefe, Ouellet, Peters, Rapp, Ricard, Roxburgh, Southam, Tardif, Vincent, Watson (*Assiniboia*), Whelan—(29).

*In attendance:* From The Canadian Wheat Board, Mr. Wm. Riddel, Assistant Chief Commissioner; Mr. R. L. Kristjanson, Executive Assistant; Mr. W. H. Cockburn, Sales Manager—Coarse Grains; Mr. F. T. Rowan, Sales Manager—Wheat; and Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

The Committee began its consideration of the Annual Report of The Canadian Wheat Board for the Crop Year 1961-62.

*Agreed:*—That said report be considered as read.

Mr. Riddel read a brief entitled Eastern Canadian Feed Grain Situation. The Committee proceeded to the questioning of the witnesses.

At 12:00 o'clock noon, the examination of the witnesses continuing, the Committee adjourned until after the orders of the Day, this day.

## AFTERNOON SITTING

(6)

At 4:00 o'clock p.m., the Committee resumed. The Chairman, Mr. Russell C. Honey, presiding.

*Members present:* Messrs. Asselin, (*Richmond-Wolfe*), Berger, Cardiff, Dionne, Ethier, Forbes, Gauthier, Gendron, Hamilton, Honey, Horner (*Acadia*), Jorgenson, Langlois, Loney, McIntosh, Nasserden, O'Keefe, Ouellet, Peters, Rapp, Roxburgh, Southam, Vincent, Watson (*Assiniboia*) (24).

*In attendance:*— (Same as at morning sitting)

The Committee continued the questioning of the witnesses.

At the request of Mr. Forbes, a statement entitled "Recent long term arrangements involving supply and Purchase of Canadian Wheat" was tabled and it was agreed to print the said statement as an Appendix to the evidence. (*See Appendix 1*).

At 6:00 o'clock p.m., the Committee adjourned until 8.00 o'clock p.m. this day.

## EVENING SITTING

(7)

At 8:20 o'clock p.m. the Committee resumed its sitting. Mr. Russell C. Honey, the Chairman, presided.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Béchard, Cardiff, Crossman, Dionne, Emard, Ethier, Forbes, Forgie, Gauthier, Gendron, Honey, Horner (*Acadia*), Langlois, McIntosh, Nasserden, Ouellet, Peters, Pigeon, Rapp, Southam, Tardif, Vincent, Watson (*Châteauguay-Huntingdon-Laprairie*), Watson (*Assiniboia*) (25).

*In attendance:* (Same as at morning sitting).

The Committee continued the questioning of the witnesses on the Wheat Board Report.

The questioning being concluded.

On motion of Mr. Asselin (*Richmond-Wolfe*), seconded by Mr. Vincent,

*Resolved:*—That the Report of The Canadian Wheat Board for the Crop Year 1961-62, and the Supplementary Report on the 1961-62 Pool Accounts for wheat be adopted.

At 10:40 o'clock p.m. the Committee adjourned until December 10, 1963, to resume its examination of the Annual Report of the Department of Agriculture.

D. E. Levesque,

*Clerk of the Committee.*



## EVIDENCE

THURSDAY, December 5, 1963.

The CHAIRMAN: Gentlemen, we have a quorum. Will the committee come to order.

We are very pleased to have with us today the members of the Canadian wheat board, many or all of whom are familiar to you. I am going to ask the assistant chief commissioner, Mr. William Riddel to be kind enough to introduce the members of his board who are with him this morning.

Mr. Riddel, we welcome you and your colleagues here. Will you be kind enough to introduce the members of the board who are with you.

Mr. W. RIDDEL, (*Assistant Chief Commissioner, The Canadian Wheat Board*): Thank you very much, Mr. Chairman.

Mr. Chairman, gentlemen, it gives me great pleasure to be here today. I hope, with the help of my associates here, we can provide you with some information which will be helpful to you in your deliberations.

First of all I would like to introduce Dr. R. L. Kristjanson, who is sitting on my immediate right. Dr. Kristjanson is executive assistant to the Canadian wheat board.

On Dr. Kristjanson's right we have Mr. F. T. Rowan, who is sales manager for wheat operations of the Canadian wheat board.

On Mr. Rowan's right we have Mr. Cockburn, who is sales manager for coarse grains.

The CHAIRMAN: Gentlemen, our order of reference from the House of Commons was to consider the annual report of the Canadian wheat board for the crop year 1961-62, among other things. I talked about two weeks ago with Mr. McNamara, the chief commissioner of the Canadian wheat board, when he was in Ottawa. He indicated that this report is considerably out of date now. There will be a new report from the board in January, which will be available to the house when we start the new session. There has been a considerable amount of interest in the eastern feed grain situation, and we discussed this matter. I told Mr. McNamara that I would submit to the steering committee the question of considering this report, and we must do this, of course, but within the context of the report we can bring in the consideration of eastern feed grains, which we have been discussing in prior hearings of this committee.

The steering committee adopted this procedure: we will consider this report, but with particular reference to eastern feed grains. Mr. Riddel has with him this morning copies of a brief, and I would ask for the approval of this committee of the procedure of considering this brief in conjunction with the board's report. I will read the headings in the brief so you will know what it contains. The headings are "Production and Utilization of Western Canadian Feed Grains", "The Wheat Board's role in the Marketing of Feed Grains", and thirdly "The Current Feed Grain Supply Situation in Eastern Canada". The brief contains some tables at the end.

May I have the assistance of the committee on this. Will you indicate if you would like to proceed by taking the annual report of the wheat board as read and then proceeding more specifically with the brief, which we can place before the committee?

Mr. RAPP: Since this report is about two years behind schedule, in my opinion it would be much more beneficial to the committee if we were to proceed with issues in which most members are interested—and you made reference to feed grain. Of course, this is up to the committee. However, this report is so far out of date that I think we would be wasting our time if we were to consider it. We have had two elections in less than a year, and the committee was unable to keep up with the reports. I think we should not spend our time on going through something that has passed into history.

Mr. ASSELIN (*Richmond-Wolfe*): I move the report be taken as read.

The CHAIRMAN: Do you move that the report be taken as read and that we proceed to the consideration of the brief?

Mr. ASSELIN (*Richmond-Wolfe*): Yes.

Mr. MCBAIN: I second the motion.

The CHAIRMAN: Is there any discussion on the motion?

Are you prepared to discuss the motion?

Motion agreed to.

The CHAIRMAN: Gentlemen, are you prepared to go ahead with consideration of the brief?

Agreed.

I will ask Mr. Riddell if he will read the introductory section.

Mr. RIDDEL: When we received the invitation to appear before your committee on the question of the eastern Canadian feed grain situation we tried to anticipate the questions on which the members would be interested in obtaining information. We felt that it would perhaps be of interest to this committee to have information on the following:

I. Background information on the production and utilization of feed grains produced in western Canada.

II. The Canadian wheat board's role in the marketing of feed grains.

III. The current supply situation with respect to feed grains in eastern Canada.

IV. The current price situation with respect to feed grains.

#### I. The Production and Utilization of Western Canadian Feed Grains

The principal feed grains are the lower grades of wheat, all grades of oats and the feed grades of barley. In addition to these, the by-products of flaxseed and rapeseed are used by the feed manufacturing industry. Screenings and seeds cleaned from grain, particularly wheat, are also used extensively in certain feeding markets and in the United States. The United States throughout the years has provided a valuable market for fairly substantial quantities of screenings, particularly from operations of terminal elevators at the lake-head.

Feed manufacturers are, of course, not restricted to Canadian feed grains as a source of supply. United States corn is allowed unrestricted entry into Canada on payment of a duty of 8 cents per bushel.

As we have indicated, low grade wheat, oats and feed barley are the principal feed grains grown in western Canada. Feed wheat is an inadvertent by-product of the production of milling wheat. Wheat in the former category results from damage sustained during the growing season due to unfavourable weather conditions such as frost, hail, excessive moisture, etc., while off-grade wheat may also result from the same causes, plus unsatisfactory storing and housing. The availability of low grade wheat is, therefore, largely dependent upon weather factors and as a result the availability in relation to demand, which is more or less constant, becomes a major determining factor in price.



To give you an indication of the great variations in the production of low grade wheat, during the past ten years The Canadian wheat board has taken delivery of as much as 100 million bushels of No. 5, No. 6 and feed wheat during a crop year, and as little as 2 million bushels. During the 1960-61 crop year 7 million bushels were purchased by the board, in 1961-62 only 2 million bushels, and in 1962-63, 56 million bushels.

The market for the lower grades of wheat is not restricted entirely to the domestic feed industry. For example, No. 5 wheat is used by the flour milling industry to a limited extent for the production of low grade flour. Also, there is a demand for No. 5 wheat in certain overseas markets, particularly the Netherlands, Japan and China. There has been a fairly steady demand for No. 6 wheat in the United States. In spite of large stocks of wheat, their tariff regulations allow the importation of wheat unfit for human consumption, and some No. 6 wheat has been so classified, usually by reason of heavy damage from frost.

Summarizing the feed wheat situation, Canadian feed wheat supplies vary greatly and this variation depends largely on weather conditions. There is a steady and gradually growing market for feeding wheat in eastern Canada and when surplus supplies are available, markets can frequently be found in overseas countries. In fact, a steady and continuing export market exists in Japan for sizeable quantities of both No. 4 Northern and No. 5 wheat from which a low extraction of flour; viz., 40 per cent, is made for sale to noodle manufacturers, the real purpose being to obtain the residual balance, termed as bran, for livestock feeding.

Turning now to oats, the market for oats produced in western Canada is largely a local one, being mainly on the farms where they are produced. During the last ten crop years the average production of oats in western Canada was 238 million bushels. During this same period farmers marketed an average of 58 million bushels, or only about one-quarter of their production.

The area seeded to oats in western Canada has fluctuated between 5.1 and 7.8 million acres during the past ten years. Although there is no apparent trend in oats acreage, the average oats acreage decreased from a 1953-58 five-year average of 6.7 million acres to 6.1 million acres for the 1958-63 period.

In previous years a fairly large quantity of oats was exported—primarily to the United States. These exports have rapidly diminished due partly to increased domestic needs, but due also to the fact that in recent years the United States has had ample supplies of domestically produced feed grains—particularly corn and sorghums. In 1961-62, oats exports reached a low of 3.5 million bushels compared to over 70 million back in 1953-54. Occasionally, Europe and the United Kingdom are buyers of Canadian oats when their own crops of feed grains suffer setbacks due to weather. For example, in 1962-63 we exported over 21 million bushels of oats, largely because of a very difficult winter in Europe.

The area seeded to barley in western Canada has fluctuated between 9.6 and 5.1 million acres during the past 10 years. There seems to be a downward trend in barley acreage. In 1953 barley acreage was 8.6 million acres but by 1963 it had dropped to 5.9 million acres.

The production of barley is geared primarily towards supplying not feed market but, rather, the market for malting barley. The less suitable barley then becomes available for the feeding market, along with varieties which are not considered suitable for malting.

The demand for malting barley comes from the domestic maltsters who manufacture malt for the domestic brewing industry, as well as for export as malt to the United States and other countries. Generally, there is also a very



heavy demand for the Canadian-grown barley suitable for malting by United States malting and brewing interests. A small percentage of selected Canadian barley also finds a steady market with Scottish distillers. Japan was formerly a large market for barley where it was used for human consumption as an additive or substitute for rice, particularly in times of scarcity or high price of that commodity. In recent years, however, sufficient rice has become available to meet the entire demand and prices have fallen to comparatively reasonable levels.

Most Canadian barleys are too high in protein to suit European maltsters, with the result that there is no ready market in that area. However, the higher protein is of advantage in feeding markets, which consist largely of local and eastern Canadian markets where purchases of western barley are made to meet deficiency requirements. At times, some markets become available in Europe and the United Kingdom for Canadian feeding barley, particularly in the latter country where a preference is enjoyed as compared to barley from non commonwealth countries.

With the higher standard of living now being attained in Japan, with a resulting increase in the consumption of meat products, a demand for barley for livestock feeding purposes is rapidly developing in that country and in time may provide a useful outlet for surplus production of the commodity in Western Canada.

The CHAIRMAN: Thank you, Mr. Riddel. If the committee is agreeable, we might proceed to a consideration of this section of the brief before we pass on.

Mr. HORNER (*Acadia*): At the top of page 2, Mr. Riddel, you say that the United States has provided a valuable market through the years for a fairly substantial quantity of screenings, particularly from the terminal elevators at the lakehead. Can anyone else buy the screenings from terminal elevators at the lakehead?

Mr. RIDDEL: Yes, others can buy them but there are provincial regulations which prohibit the movement into Ontario and Quebec of screenings containing certain types of seeds.

Mr. HORNER (*Acadia*): What about western Canada?

Mr. RIDDEL: Some screenings have occasionally been reshipped to western Canada for feed, but usually I think they are pulverized before they are returned.

Mr. HORNER (*Acadia*): But it is not against any board's regulations?

Mr. RIDDEL: It is not against any board regulations.

Mr. HORNER (*Acadia*): I do not know whether the difficulty has been created by the wheat board or the Alberta government, but I do know it has been very difficult to have screenings shipped back to the prairies even from lakehead terminals or Vancouver.

Mr. RIDDEL: Most provinces have a noxious weed act which prohibits re-entry of noxious weeds into agricultural areas.

Mr. HORNER (*Acadia*): Would they be acceptable to the provinces under the noxious weeds acts if, as I think you mentioned a minute ago, they were crushed or rolled?

Mr. RIDDEL: I am not sure of that. I would not like to express an opinion on it.

Mr. HORNER (*Acadia*): Why, then did you say a moment ago—as I think you did say—that in some cases it is done and that it helps, or something to this effect.

Mr. RIDDEL: There are certain types of screenings which, having been cleaned out and graded as No. 1 or No. 2 feed screenings and passed by the

board of grain commissioners and also by the Department of Agriculture, are permitted for shipment into Ontario and I think eastern Canada. However, ordinary run, uncleaned or refuse screenings are not permitted.

Mr. HORNER (*Acadia*): Is there a set price for these screenings or does it vary with the quality?

Mr. RIDDEL: It varies with supply and demand.

Mr. HORNER (*Acadia*): The price has very little to do with the quality?

Mr. RIDDEL: Yes, quality does enter into the picture and would also be a factor. It is affected by the price of No. 1 wheat because screenings are composed largely of cracked wheat.

Mr. HORNER (*Acadia*): Can you give the committee some idea of the asking price of screenings, the average price now, or for a year?

Mr. RIDDEL: I have no record of the present prices or the past prices because the Canadian Wheat Board does not handle screenings.

Mr. HORNER (*Acadia*): The Canadian Wheat Board does not handle them?

Mr. RIDDEL: No.

Mr. HORNER (*Acadia*): Who does?

Mr. RIDDEL: The screenings belong to the elevator companies after the cleaning of the grain.

Mr. HORNER (*Acadia*): Does the wheat not belong to the wheat board?

Mr. RIDDEL: The wheat is purchased on account of the wheat board by the elevator company and is reshipped to the terminals, where it is cleaned under the supervision of the Board of Grain Commissioners. The Canada Grain Act and regulations of the Board of Grain Commissioners provide for certain cleaning standards and for a return of screenings to the farmer in the case of shipments of carlots.

In some cases, if the dockage on the grain is assessed by the inspection department of the Board of Grain Commissioners as  $2\frac{1}{2}$  per cent or less, the terminal elevator company retains the screenings in place of a cleaning charge for the cleaning operations. If the dockage is 3 per cent or higher, a return is made to the company shipping the grain or to the farmer for screenings up to the quantity of the dockage, less a deduction of half of one per cent for waste.

Mr. HORNER (*Acadia*): In other words, the elevator companies buy the wheat for the wheat board with the understanding that it is cleaned wheat.

Mr. RIDDEL: The grain turned over to the Canadian Wheat Board by the elevator company is the net cleaned wheat. The farmer has originally paid for the net quantity.

Mr. HORNER (*Acadia*): This is interesting from the point of view of a seller of wheat. In other words, the elevator companies dock me as a farmer for my weed seeds in the wheat, and at the other end they turn around and sell my weed seeds, for which they have already docked me.

Mr. RIDDEL: They pay the terminal company the regular charge for cleaning, which varies upon the percentage of dockage contained in the grain.

Mr. JORGENSEN: Does the amount of screenings not have something to do with the amount of overages?

Mr. RIDDEL: Yes.

Mr. CARDIFF: I would like to ask one or two questions.

I understand that dockage is taken off the farmer who grows the grain.

Mr. RIDDEL: That is right.

Mr. CARDIFF: He receives nothing for it?

Mr. RIDDEL: Not unless he ships it.

Mr. CARDIFF: Then they turn around again and sell it to us for dirt down in eastern Canada. Who gets the profit out of that? It is sold sometimes at a cent a pound, or more.

Mr. RIDDEL: That depends on the circumstances. There are certain costs in the manufacturing of these screenings.

Mr. CARDIFF: How do we in eastern Canada know what grade that screening is when we get it? We cannot tell by looking at it. Some of it is very good; some of the screenings consist mostly of broken wheat kernels and wild buckwheat—principally wild buckwheat—but other screenings are full of all sorts of trash and mustard seed and everything else. I wonder how the regulations govern this selling.

Mr. RIDDEL: New screenings going out of lakehead terminals are inspected by the inspectors of the Board of Grain Commissioners and also passed, I think, by an inspection department of the Department of Agriculture, which inspects for noxious weed seeds.

Mr. ROXBURGH: They should have had that done when they sent the tumbleweed down here.

Mr. RIDDEL: Any screenings going out of lakehead terminals would be inspected.

Mr. CARDIFF: If the farmer in the west was making something out of this, one would not mind, it would not be so bad; but as far as I understand this situation, the grain elevator companies are making a profit out of the weed seed that is taken out of the wheat.

Mr. RIDDEL: The type of screenings coming into eastern Canada—the better qualities, No. 1 and No. 2 feed—constitute a very small percentage of total dockage.

Mr. CARDIFF: Does the farmer have to pay for his grain to be cleaned?

Mr. RIDDEL: No, not if he delivers it by wagon-load. The regular charge for handling his grain, regardless of the percentage of dockage, covers all charges.

Mr. HORNER (*Acadia*): I would like to say briefly before I ask my question that in a sense the farmer does get paid for the weed seeds if he markets his grain through the pools because it is returned in greater dividends at the end of the year.

Over the years I have watched the screening problem because in so far as it concerns feeding cattle I am personally interested. I have come to the conclusion that screenings at the terminal have only one direction in which to go, and that is to the United States, because through one law or another they cannot move too readily into eastern Canada or back into western Canada. Screenings do quite often make a very very good livestock feed. Would it be possible to have them rolled, crushed or pulverized to an extent which, in your opinion, might make them become acceptable to Ontario, Quebec and the rest of Canada?

Mr. RIDDEL: I am not acquainted with the noxious weed seed acts in these provinces and not competent to give an opinion. However, screenings are put into various forms, some are turned into meal, some are pelleted, and they are sold in other markets as feed.

Mr. HORNER (*Acadia*): Would Ontario and Quebec allow them in if they were pelleted?

Mr. RIDDEL: I do not think so. As far as I know, they would not.

Mr. HORNER (*Acadia*): Suppose, Mr. Riddel, I were to ship a carload of wheat and suppose I wanted to have the wheat cleaned at the elevator and then take my screenings home.



Mr. RIDDEL: At the country elevator?

Mr. HORNER (*Acadia*): Yes, at the country elevator. Does that wheat have to be cleaned at the terminal elevator in the end?

Mr. RIDDEL: Yes, it would have to be recleaned and it would have to pass out with very little in it in the way of seeds, other than the tolerance permitted by the Board of Grain Commissioners.

Mr. HORNER (*Acadia*): It would still have to be cleaned at the terminal?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): Then suppose the dockage is  $2\frac{1}{2}$  per cent; this covers the cleaning?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): In a sense, then, unless my dockage was 3 per cent or better, it would not pay me to have it cleaned at the country elevator?

Mr. RIDDEL: No, I doubt if it would because there would be a charge by the elevator company for custom cleaning the grain, and whether the return of the screenings to you was economic would depend on the cost of feeding materials.

Mr. ROXBURGH: I would like to ask a question on a point about which I was not quite clear.

You allow  $2\frac{1}{2}$  per cent and you do not charge the farmer anything?

Mr. RIDDEL: There is no charge to the farmer or the elevator company.

Mr. ROXBURGH: If it runs up to four or five per cent does the farmer get paid for anything extra?

Mr. RIDDEL: Yes, if it was four per cent the shipper would obtain from the terminal a return for  $3\frac{1}{2}$  per cent screenings. In other words, if it is a two thousand bushel car there would be a return for 70 bushels of screenings.

Mr. ROXBURGH: How would his price be determined on those 70 bushels?

Mr. RIDDEL: It would be the quoted market price at the time.

The CHAIRMAN: Gentlemen, before we leave the matter of screenings, perhaps Mr. Phillips, who is here now from the Department of Agriculture might be able to give us some help on this matter, particularly with reference to screenings coming in to other provinces. May we hear Mr. Phillips please?

Mr. C. R. PHILLIPS (*Director, Plant Products Division, Department of Agriculture*): As Mr. Riddell has indicated, once the screenings leave the lakehead they have been graded by the Board of Grain Commissioners, and under the noxious weed acts in the various provinces very few screenings move from the lakehead back into western Canada. However, there has been a movement in recent years toward grinding and pelleting these refuse screenings, which are the lowest grade of screenings, and shipping them back to western Canada. However, this movement is very limited because it is back-hauled and the freight rates preclude this because it is a lower quality feed. During the drought years there were fairly sizeable quantities moved back into western Canada.

All these screenings can be shipped into eastern Canada, but when they are they may run afoul of provincial legislation. For the most part they come to eastern Canada and it is mainly No. 1 feed screenings, and a small percentage of No. 2 feed screenings. I know Mr. Peters asked the question the other day when the Board of Grain Commissioners were here and the answer was not too clear. When the screenings are sold in bulk, the Feeds Act which is administered by the Department of Agriculture, requires them to be labelled as, for example, No. 1 feed screenings. There is a section in the Canada Grain Act that requires any grain sold under a grade name must, under the provisions

of that Act, come up to standard. If the inspectors of the Department of Agriculture suspect these screenings are misnamed, a sample is sent to the Board of Grain Commissioners and they determine whether it is in fact up to that grade. If the screenings are ground, then it is purely under the Feeds Act, and the Feeds Act standards for screenings parallel the standards of the Canada Grain Act. The same is true of No. 2 feed screenings and uncleaned screenings and refuse screenings.

The Feeds Act limits the number of noxious weed seeds in a ground feed to 15 per pound. I should check that; I know the figure is 15 but I am not just sure whether it is 15 per pound or 15 per ounce.

There is another factor I would like to point out about weed seeds. In the Feeds Act there are weed seeds mentioned as being injurious seeds. These are seeds that at one time were considered to be injurious to animals from the standpoint of either being toxic or rendering the feed unpalatable, and there is a standard in respect of them. In mixed feeds generally these weeds are limited to one per cent. This has nothing to do with ground or whole, it is just volume. It is limited to one per cent. In screenings it may be two per cent. The limit of general run is one per cent and there is another one per cent of hare's ear mustard and wild mustard.

As I say, these standards were set some time ago, and in recent years we have found that beef cattle could tolerate a much larger quantity of these weed seeds. If they are put in a feed for beef cattle and it is indicated on the label that they shall not be fed to animals three months of age or under, the quantity of these injurious seeds may reach 15 per cent in total but they must be ground so they will not spread the weed throughout the country. That is essentially the position.

Mr. WATSON (*Assiniboia*): My question is directed to Mr. Riddel and is for clarification.

Did I understand that over  $3\frac{1}{2}$  per cent the farmer would get a rebate or a dividend, as we call it?

Mr. RIDDEL: If the farmer was the shipper of the car, if he shipped a whole carlot of grain in his own name and the dockage was 3 per cent or higher, he would receive a return of screenings equivalent to the percentage of dockage less one-half of one per cent.

If the dockage is  $3\frac{1}{2}$  per cent, he would receive a return for screenings of three per cent of the weight of the carlot.

Mr. WATSON (*Assiniboia*): My point is that this is almost impossible owing to the fact that under our quota system you would have to have a special bin for your wheat in the elevator to get to a point where you could ship a carlot.

Mr. RIDDEL: There are very few carlots shipped by farmers under the present quota regulations.

Mr. WATSON (*Assiniboia*): In theory, then, it does not mean very much?

Mr. RIDDEL: Not at the present time.

Mr. LANGLOIS: Is wild oats considered for dockage on the same basis as other weed seeds, for example, mustard?

Mr. RIDDEL: No, not entirely. There may be a return from wild oats separate from dockage, depending on the wild grain and the percentage of wild oats. It is all laid down in the regulations.

Mr. LANGLOIS: Wild oats are sold as feed grain at the terminal?

Mr. RIDDEL: It is sold as mixed feed oats.

Mr. LANGLOIS: I have another question about taking back feed grains into western Canada. If you take back feed grains into western Canada, does it go back to the country elevators?

Mr. RIDDEL: I am sorry, I do not get your question.

Mr. LANGLOIS: When you ship crushed feed grain into western Canada, does it go back to be sold to the farmers by the country elevators? Does that go back to the country elevators?

Mr. PHILLIPS: Your example was crushed oats?

Mr. LANGLOIS: Feed grain.

Mr. HORNER (*Acadia*): Crushed.

Mr. PHILLIPS: The lowest grade of screenings—which is refuse screenings—would go back perhaps directly to the farmer. It depends upon with whom the merchant who handles it in Fort William had the contract, but as I say it rarely goes back. It was only in the drought year that this happened. In fact, some went back that year to be fed on community pastures administered by the department.

Mr. LANGLOIS: Does it go back to the country elevator or directly to the farmer?

Mr. PHILLIPS: Rarely does this go back to a country elevator or feed mill in western Canada.

Mr. LANGLOIS: Then you have control over it to make sure it is that kind of screening you are sending back? The farmer who orders it knows what is in it?

Mr. PHILLIPS: Yes.

Mr. LANGLOIS: Does this control extend into eastern Canada for screenings?

Mr. PHILLIPS: Yes.

Mr. LANGLOIS: To whom do you send it in eastern Canada?

Mr. PHILLIPS: There are some beef cattle operations in eastern Ontario which buy the graded and pelleted screenings.

Mr. LANGLOIS: I ask this because one eastern farmer thought it was black oats when in fact it was wild oats. That is why I asked if you have the same control over your screenings shipped to eastern Canada and who does the classifying?

Mr. PHILLIPS: The Feeds Act covers feed throughout Canada; it does not matter if it is east or west or where it is moving. That act covers feed throughout Canada and it is administered by the Department of Agriculture.

Mr. LANGLOIS: Is there any provision in the act for a penalty if the department catches anyone selling feed grain which does not come up to the standards stated on the label? He knows what he is ordering, but if he orders second class and buys third class, is there anything in the act to cover it?

Mr. PHILLIPS: Under the Feeds Act, feed is required to be labelled. If it is whole grain and labelled as, let us say, No. 1 feed screenings, then the Canada Grain Act requires that it be up to that standard. If it is ground No. 1 feed screenings, then the Feeds Act requires that it be up to that standard. There is control on the quality of grain and feed throughout Canada.

Mr. LANGLOIS: If there is any side stepping of that rule, it is unknown to you?

Mr. PHILLIPS: If there is any and you are aware of it, please have it referred to the Department of Agriculture located in each area.

Mr. LANGLOIS: When the farmer to whom I referred received wild oats instead of black oats, probably someone switched the grain along the line. I wanted to know if there was anything to prevent something like that.

Mr. JORGENSON: I would like to know if there is any difference between black oats and wild oats.

Mr. RAPP: In Europe they have black oats and it is not wild oats.



Mr. MCBAIN: At one time we in Ontario grew black oats which definitely was not a wild oat, but that was many years ago.

Mr. LANGLOIS: One has a little tail like barley and the other one has not; that is about the only difference. Wild oats have the tail.

Mr. NASSERDEN: On this point, the only thing I want to say is that wild oats are very good feed some years and in other years they are mostly hulls. The fact that they are wild oats or black oats—whatever you want to call them—would not affect the feeding value; there would still be the nutrition there if it met the standard.

The CHAIRMAN: Mr. Rapp has asked to be recognized.

Mr. RAPP: My question was not on this point.

Mr. GAUTHIER (*Interpretation*): Is Canadian legislation more strict than United States legislation, or is this situation brought about because the wheat board finds it more profitable in the United States than Ontario and Quebec from a cost point of view or a shipping point of view?

Mr. RIDDEL: The screenings are not handled by the Canadian wheat board. The board itself has nothing to do with the sale of screenings. There has been a good market in the United States for screenings for quite a number of years. They are taken there mostly into Duluth and ground and they then find their way into feeding markets perhaps further south. The Duluth market largely established the price at which screenings are sold. In some years prices are very low and occasionally screenings have been used as fuel in the terminals, particularly to utilize them with drying operations and so on, and also for heating various parts of the terminal buildings.

At the present time most screening prices do vary with the supply and demand and also with the price of the grain which they represent. At the present time, any shipper with a carlot of grain on which there is a return of screenings would be paid \$4.50 per ton for refuse screenings. The price has varied. I know these prices were \$10 per ton on August 30, 1963, and they were down as low as \$3 per ton on November 15. As I stated before, prices would vary according to supply and demand and also to the type of grain contained in the dockages.

Mr. GAUTHIER (*Interpretation*): I would like to hear your opinion with regard to the supply and demand from the United States. I know it is your personal opinion because you say the Canadian wheat board does not deal with this, but I should like to know the reason why the United States purchased so much of the screenings in contrast to the two provinces that I mentioned a little while ago.

Mr. RIDDEL: It is difficult for me to give an answer to that question because I am not sufficiently acquainted with it, but my own opinion would be that it is because of the considerable feeding industry in the United States, particularly around Ohio, where there is considerable feeding of cattle live-stock.

Mr. PHILLIPS: I think Mr. Riddel has answered correctly in the sense that the market in the United States is closer to Fort William than is eastern Canada. The cost of freight to eastern Canada is \$13.20 per ton and it is less than that in the feeding area of the United States.

Mr. HORNER (*Acadia*): Do screenings carry freight assistance?

Mr. PHILLIPS: There are various categories of screenings. The screenings about which Mr. Riddel is talking which go to the states are the lowest category of screenings. The highest category of screenings is No. 1 feed screenings and the bulk of that comes from eastern Canada, and similarly with No. 2 feed screenings, but the rest goes to the United States, I would say 99 per cent.

Mr. LANGLOIS: How much is the rate by boat, or does any come in by boat at all?

Mr. PHILLIPS: There has not been a boat movement of refuse screenings to eastern Canada. Refuse screenings contain 90 per cent chaff and 10 per cent weed seeds.

Mr. LANGLOIS: I understand that the wheat board does not sell these refuse screenings.

Mr. RIDDEL: That is right.

Mr. LANGLOIS: Who controls the selling of refuse screenings?

Mr. RIDDEL: The terminal company usually controls that. The terminal company receives the screenings. Usually where a return of screenings is made by the terminal company to the handling company, which would be the terminal elevator company, they usually purchase or the elevator resells the screenings back to the terminal.

Mr. LANGLOIS: When it is going to the United States—would that be the national harbours board?

Mr. RIDDEL: No, to a United States buyer or a Canadian exporter, who in turn would sell to a United States buyer.

Mr. GAUTHIER (*Interpretation*): Can we therefore conclude that in the final analysis it is the legislation in the province of Quebec which prevents this 99 per cent that you ship to the United States or that the elevator company ships to the United States, from being shipped to Quebec? Is it because of provincial legislation that it is not more easily shipped to Quebec?

Mr. RIDDEL: Yes, I would think that is the case, Mr. Chairman. I would think that it is the case that legislation in eastern Canada prevents shipment from the lakehead to these provinces.

Mr. HARKNESS: Is it not true that the value of these screenings is so small that it is not economic to ship to eastern Canada?

Mr. RIDDEL: That is true, too.

Mr. HARKNESS: In some cases they have to be burned.

Mr. NASSERDEN: In regard to fluctuations, it would appear from the pattern that after the freeze-up on the lakes you would expect the price to go up, but actually very little moves.

Mr. RIDDEL: There is very little moving. There are no screenings shipped out of the lakehead at that time.

Mr. HORNER (*Acadia*): Dr. Phillips asked about some screenings going back to western Canada. You mentioned the difficulty because of the back-haul and the freight rates. Surely there is enough box cars going back to western Canada empty to reduce the freight rates. The freight rates should not be high, I would think. Are they high? Is this what you meant?

Mr. PHILLIPS: They are high relative to the value of the grain. It depends on where you are sitting whether they are low going the other way or not, but the Crowsnest rates do not apply going west.

Mr. HORNER (*Acadia*): To follow this a little further, you said the freight rate to eastern Canada would be something like \$13 per ton by rail. What would be a corresponding figure for grain screenings from the lakehead back to Saskatoon? I am just saying Saskatoon because this is a central point on the prairies.

Mr. PHILLIPS: I do not have the information but I could obtain it.

Mr. HORNER (*Acadia*): Mr. Riddell, if it were possible—and I mean if it were possible because of provincial legislation and if screenings did not start to move back into western Canada—for screenings to go by rail would they have to move through the Canadian wheat board, as all other grains do?



Mr. RIDDEL: Technically there would be some control. They do not necessarily have to go by rail; they can be trucked. I do not think it is too difficult to obtain a permit as long as they comply with the noxious weed seeds act. We have nothing to do with the control of the act.

Mr. HORNER (*Acadia*): Am I not right in saying that in western Canada all grain, particularly grain going across a boundary, has to move through the Canadian wheat board? I am referring to all grain, not necessarily screenings. Has it to go through the wheat board before it moves across a provincial boundary?

Mr. RIDDEL: That is right, or there must be a permit from the wheat board.

Mr. HORNER (*Acadia*): Does it have to move by rail across the boundary?

Mr. RIDDEL: No, not necessarily. If it has a permit it can move by truck.

Mr. HORNER (*Acadia*): It is necessary to have a permit from the wheat board?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): You are suggesting, are you, that if screenings were permitted under the noxious weed act to move back into the prairies because of being ground or pelleted, they would still have to go through the wheat board under a permit?

Mr. RIDDEL: I do not think we have had any request for it, but if a permit is required it would not be hard to obtain in so far as screenings are concerned. The permit in itself would not relieve the holder from any of the provisions of the noxious weeds act.

Mr. HORNER (*Acadia*): You see, the point I am trying to get at here is that in western Canada if I am a feeder I can buy grain more cheaply from a fellow farmer than I can buy it through the wheat board; we have screenings at the lakehead which do not belong to the wheat board, they belong to the elevator companies or an agency of some kind or another. Can I deal direct with them and could those screenings move freely without any increases in the price and without the wheat board.

Mr. RIDDEL: Yes, if you are talking about refuse screenings or No. 1 or No. 2 screenings the Canadian wheat board would not interfere in any way. If a permit is required—and I do not say it is required under our present regulations—there would be no difficulty in getting it.

Mr. HORNER (*Acadia*): Dr Phillips, you suggested that freight assistance on feed would apply from the lakehead on No. 1 and No. 2 screenings going east.

Mr. PHILLIPS: Going east, that is right.

Mr. HORNER (*Acadia*): But not going back west?

Mr. PHILLIPS: That is right.

Mr. CARDIFF: Can I buy a carload of screenings direct, or anything else?

Mr. RIDDEL: Yes, you can buy a warehouse receipt representing grain in a terminal and then you would have to follow certain procedures in order to have that shipped forward to you and there would be some difficulty I might say.

Mr. TARDIF: I did not think it was possible to buy it outside a dealer.

Mr. RIDDEL: Yes, it is, but there are certain difficulties.

Mr. TARDIF: Are the difficulties great enough to make it impossible?

Mr. RIDDEL: No, it is not impossible but I doubt whether much would be gained as a result of the additional work involved.

Mr. FORBES: The Quebec members here are particularly interested in acquiring feed grains. I would appreciate it if Mr. Riddell would go into some



detail and explain how they can get a carload of feed wheat from western Canada and bring it down for their own use.

Mr. WATSON (*Assiniboia*): Outside the wheat board.

Mr. RIDDEL: It is not covered in this submission, but I think we should clarify the position of the Canadian wheat board which is dealt with under No. II.

The CHAIRMAN: Will you defer that, Mr. Forbes? We are still dealing with item I, the production and utilization of western Canadian feed grains, and I think if you will defer your question, Mr. Forbes, we can deal with it later.

Mr. Langlois has indicated that he has a question which is supplementary to Mr. Horner's.

Mr. LANGLOIS: The other day I addressed a question to the board of grain commissioners to which they told me they did not know the answer. I refer to a series of questions asked a while ago about permits given out by the wheat board. Do you control all the outgoing grains in the western provinces besides those to which you give a special permit—and if I am not mistaken, these are the flour mills and feed mills out in western Canada. They have such a permit have they not, to buy directly from the farmer or country elevator?

Mr. RIDDEL: Some firms have an agreement with the Canadian wheat board to purchase directly from producers but these purchases are made on behalf of the Canadian wheat board and at the Canadian wheat board initial payment prices, and after the purchase has been made on account of the Canadian wheat board, if the flour mill wishes to use the grain for manufacture into flour it repurchases the grain from the board at the board's selling prices.

Mr. LANGLOIS: Such as the western feed mills?

Mr. RIDDEL: Some western feed mills have an arrangement with the board under which they are free to buy grain from the farmers—that is wheat, oats or barley—outside the board's quota regulations, and the price is negotiated between them and the individual producer.

Mr. LANGLOIS: Are any permits issued from the Canadian wheat board for grains transported from the United States into Canada or from western provinces into the United States?

The CHAIRMAN: I am going to ask you to defer this line of questioning because I have been trying, and members have cooperated, to stay on the matter of dockage and screenings, and we are wandering from that. I think your line of questioning is more relevant to the next subject of the brief.

Mr. RAPP: I would like to ask Mr. Riddell about his statement that No. 5 and No. 6 are used extensively now in the overseas market as a milling wheat. In the west there is always a spread of about 15 cents between No. 4 and No. 5. How does our wheat, No. 5 compare with other grades from the United States which are sold in Asia and in Europe? For instance, mention is made here of the Netherlands. It is stated that they are buying sizeable quantities of No. 5 wheat. How does it compare with milling qualities to No. 5 wheat in the United States? If this wheat is now used more extensively for milling wheat, why not have it classified as a milling wheat and not have this great spread between No. 4 and No. 5?

Mr. RIDDEL: Mr. Chairman, just to clarify one thing, may I say that we do not mention in the statement that No. 6 is used for milling at all. No. 6 is strictly for feeding purposes. No. 5 is used in some countries for the production of a low grade flour. The percentage of flour taken off would be smaller than in the case of a higher grade wheat but the flour produced from No. 5, provided that the percentage is kept small, would be quite good flour, keeping in

mind that No. 5 wheat would have been graded in milling grades had it not been for damage such as slight frost and so on.

Mr. RAPP: How does it compare with the United States milling wheat?

Mr. RIDDEL: It compares favourably with certain types of United States wheat but not with the higher quality wheats, which are very much on a par with our own, some of the northern Springs; it would compare with some of the winter wheat.

Mr. RAPP: Would it be advisable, then, to have these spreads reduced somehow because this is always our trouble in the west. As soon as we have a couple of degrees of frost the wheat is graded No. 5, and the spread is 15 to 18 cents.

Mr. RIDDEL: You are talking about the initial payment spreads?

Mr. RAPP: We have not had initial payment spreads for a number of years because the final price is largely dependent upon the percentage of low grade wheat in the crop and demand for that grade. The price of No. 5 grade fluctuates. At the present time No. 5 wheat is selling in store at the lakehead at six cents below No. 4 wheat or 17 cents below No. 1 Northern. We have very small supplies and there has been a very good demand for No. 5 wheat. It is six cents at the lakehead. But how about our initial payment?

Mr. RIDDEL: That is only the initial payment, and any difference between that and the average selling spreads during the crop year will be reflected in the final payment.

Mr. RAPP: It is less than a dollar, I am sure.

Mr. RIDDEL: There are 30 cents per bushel between No. 1 Northern and No. 5 wheat, but if the actual selling price of No. 5 in relation to No. 1 is 20 cents a bushel, then the final returns from the board are such that the farmer who delivered No. 5 wheat should receive 10 cents per bushel more than the farmer who delivered No. 1 wheat. That is on final payment not on initial payment.

Mr. RAPP: Would the Canadian wheat board not consider, as a result of greater demand in Asian countries which will be continued in the future, that this initial payment should be brought to approximately the same level as between Nos. 3 and 4 and Nos. 2 and 3.

Dr. R. L. KRISTJANSON (*Executive Assistant, Canadian Wheat Board*): I think there is a demand for this wheat at a price, but in the case of Japan one gets a relatively small part of it for flour production and the rest of it goes for feed. In the case of The Netherlands we are competing against low quality American wheat, so if the price were to be raised these markets would disappear quickly. We really are competing against feeding wheats for a milling market.

Mr. RAPP: That is a good answer, If we know the reason why the spread is so high, then the farmers will take it into consideration instead of bickering all the time about these spreads.

Mr. HORNER (*Acadia*): No, no, that is not a good answer in my way of thinking at all. I do not buy that and I am sure the figures will bear me out. In the last five or six years the final payment for No. 5 wheat has always—and when I say always I mean within the last five or six years—been higher than the higher grades of wheat. This points out that you have been selling No. 5 wheat at price not too much lower than the price for No. 4 wheat and, as Mr. Riddel pointed out, it is a 16 cents spread between the selling price of No. 1 and No. 5, and this has been the case.

Mr. KRISTJANSON: In the 1961-62 crop year the spread in the initial payment was 17 cents. The realized price, when you take into account the adjustments, was 8 cents.

Mr. HORNER (*Acadia*): This destroys the whole argument which you made a minute ago that you have to have a low initial price for No. 5 wheat because you are selling it in competition with feed. You are selling it as milling wheat, and that is why you have been able to pay such a high price for high grade wheat. I agree with Mr. Rapp. This is a question in which I have been interested for a long time. I certainly think that the spread between No. 4 and No. 5 on the initial price should be a lot smaller so that the wheat board would receive more No. 5 wheat. As a farmer growing it, I look at the initial price as a sure thing. While I realize that the average farmer should know whether his final price is going to be a good one, he generally does not. If a feed mill, or a neighbouring farmer, comes along and says "I want to buy that. You will only get 90 cents a bushel from the elevator, but if you sell it to me I will give you a dollar", he will sell it. He could have received more than a dollar from the wheat board. This is why I think that the spread between No. 4 and No. 5, on the initial price should be a whole lot smaller. The wheat board would not lose a nickel on it and their experience in the last four or five years certainly bears this out.

Of course, what I said is not really a question, it is a statement.

Mr. RIDDEL: As I stated before, a great deal depends upon supply and demand.

Mr. HORNER (*Acadia*): But you will have a greater continuity in the supply of No. 5 wheat from year to year if you increase the initial price of this wheat.

Mr. RIDDEL: It all depends upon the production. The farmer does not set out to grow No. 5 wheat.

Mr. HORNER (*Acadia*): I know he does not, but on the other hand I have No. 5 wheat right now which I am trying to sell. I do not sell it because this No. 5 wheat is good feed. It is better feed than barley. I know I am only going to get a low initial price on it, and even though the final price might be high, I am not sure of that. If the initial price were higher, I would use barley as feed and would sell my No. 5 wheat. I do that every year, and most farmers would do the same.

Mr. KRISTJANSON: As was indicated in the brief, the deliveries from the wheat board varied from two million to 100 million.

Mr. HORNER (*Acadia*): That is the point I am trying to make. You would get greater continuity if you increased the initial price.

Mr. KRISTJANSON: Because of this great variation I think you would have to have the initial payment on the No. 5 wheat at a safe level.

Mr. HORNER (*Acadia*): You are too cautious altogether.

Mr. NASSERDEN: My only observation was along the line that has just been made. I think the initial price on No. 5 wheat is a very realistic one today. Any farmer can figure out what the final payment is likely to be. However, if we were to be faced with a year of a tremendous quantity of low grades and with the same situation occurring in the world markets as well, we might have a difficult time in realizing the initial price.

Mr. HORNER (*Acadia*): The farmer is the one who gets hurt in the establishment of a low initial price for No. 5 wheat; the farmer and the grower.

Mr. NASSERDEN: The final payment reflects the price he gets.

Mr. HORNER (*Acadia*): He generally does not wait for the final price; he sells it on the basis of his knowledge of the initial price. It is the small farmer I am concerned about.

The CHAIRMAN: Is there anything further on No. 1 before we move?



Mr. HORNER (*Acadia*): I have a question concerning what is said at the bottom of page 3 and the top of page 4. You say here, Mr. Riddel;

The area seeded to oats in western Canada has fluctuated between 5.1 and 7.8 million acres during the past 10 years.

I gather from this that here again you want greater stabilization. Would you like to see a greater stabilization in the amount of acres of oats sown so that you would have a greater continuity of supply? Am I right?

Mr. RIDDEL: No, I would say we are merely giving you factual information here. There are no other implications behind this.

Mr. HORNER (*Acadia*): Would it be more beneficial to the operation of the wheat board to have a greater continuity in the supply of oats particularly? I am referring to what happened a couple of years ago.

Mr. RIDDEL: It is difficult to say. If you look at the preceding paragraph you will see it is stated that the bulk of oats is used largely on the farms where they are produced. The quantity marketed by farmers has averaged only about a quarter of the production. It would be impossible to forecast the result because it would depend on how much the farmer would deliver.

Mr. HORNER (*Acadia*): This is the point I am trying to make. We used to export a lot of oats. I see that we have recently exported some to Great Britain. However, a couple of years ago we had imports in to Canada.

Mr. RIDDEL: We imported a small quantity of less than five million bushels of oats from the United States, but the quality was very poor so that some of these oats were returned to the United States a year or eighteen months afterwards.

Mr. HORNER (*Acadia*): As you know, we will have a surplus of wheat, but I think that we should also have a greater continuity in the supply of oats in order to facilitate the selling of oats for the wheat board. Would you agree with that?

Mr. F. T. ROWAN (*Sales Manager, Wheat, Canadian Wheat Board*): With the exception of last year the supply of oats has been ample.

Mr. HORNER (*Acadia*): With the exception of last year?

Mr. ROWAN: The drought year.

Mr. HORNER (*Acadia*): I will go back to the last year on this oats question. Since 1958 you paid a very high final price on oats. The farmer at the elevator received something in the neighbourhood of 45 to 50 cents a bushel from the wheat board. This caused many farmers to sell their oats within the province on a strictly barter deal with the grain agents or with other farmers at a low price. They did not realize they were going to get 17.2 cents a bushel in the final payment, which would have amounted to something close to 70 cents a bushel for their oats if they held on to them. Many farmers took a direct loss by selling early to the feeders and to the other farmers. What I am asking here is: should not the initial price, on oats, in view of the last four or five years particularly, be increased once again in order to encourage a greater continuity of production and in order to ensure that the farmer raise this crop? In many areas of northern Alberta particularly they could raise a tremendous amount of oats. The area is very suitable for growing oats. However, they have been selling oats at a very reduced price because they did not know what the final payment would be and the initial price was too low. Would you comment on that?

Mr. KRISTJANSON: There were low payments on oats in 1957 and 1958. In the case of barley, they have been very small.

Mr. HORNER (*Acadia*): I have the figures right here. From 1960 to 1962, with the one exceptional year, the final payment on oats has been better than 10 cents. All I am asking is that the initial payment should be increased to what it was in the past.

Mr. RIDDEL: Mr. Chairman, Mr. Horner referred to the 17 cent final payment on the 1961-62 pool. He obtained that information on Page 25 of the report. On the next page you will find a table of the prices which were in effect during the selling period of that pool. In most cases the prevailing price during the selling of that pool was in the neighbourhood of 90 cents, and most of the time over that. It is only towards the end of the selling period that the prices fell below that. At the present time the market price for No. 1 feed oats is down to the level of 73 $\frac{3}{4}$  cents. That is the present selling price of No. 1 feed oats, as compared to the 90 cents which was the price back in 1961-62. There would be no reason for increasing the initial payment on oats at the present time.

Mr. HORNER (*Acadia*): In other words, you are suggesting that because of the heavy supply of oats, the price has come down. When did it start to move down?

Mr. RIDDEL: It started to move down in August of 1962, and at this time last year it moved down to 74 $\frac{3}{4}$  cents, which is one cent above what is at the present time the December 3 price.

Mr. KRISTJANSON: The table on page 13 of the brief gives the average price on oats for this period.

Mr. HORNER (*Acadia*): In other words, because of this downward movement of the asking price for oats it is not feasible to increase the initial price?

Mr. RIDDEL: I do not think the board at the present time would recommend any increase in the initial payment over the present level.

Mr. LANGLOIS: I have a supplementary question. Is there a fairly large internal market for No. 1 oats? I know that the western provinces are bargaining with the farmers on this, but are No. 1 oats being sold in eastern Canada to any extent?

Mr. RIDDEL: There are sales on No. 1 feed oats.

Mr. LANGLOIS: I am talking about No. 1 seed.

Mr. RIDDEL: No.

Mr. ROWAN: The seed oats are not under our jurisdiction.

Mr. LANGLOIS: Is there any reason why you should send the No. 1 feed oats instead of the seed oats?

Mr. ROWAN: The greatest demand is for No. 1 feed oats. Eighty to 90 per cent of the oats shipped are No. 1 feed oats.

Mr. LANGLOIS: Why not send the top quality oats?

Mr. ROWAN: That is what the buyers want to buy.

The CHAIRMAN: Is there anything else on this point?

Mr. NASSERDEN: I should like to speak to this question of the price on oats. I am not altogether satisfied that we are dealing with it effectively at the wheat board level. Despite the trends in the prices here, the amount of oats moving under the wheat board is approximately a quarter of what is produced in western Canada. Is the rest of it moving through the feed mills today? I do not think the initial price of oats in western Canada today is a realistic one. I never could agree with the fact that it should have been reduced by five cents per bushel at the time it was reduced, and it has been proven that this was a

hasty action because it was done at a time of a sharp decline in price which was of very short duration. I believe that if the price had been maintained at five cents above what it is today we would have a more continuous supply of oats and we would not have had the fluctuations in acreage either. Oats are produced in certain areas of the province which are better suited to it than other areas. One of the reasons why we were able to have 17 cents paid one year was that a lot of the people who produced oats on good oat producing land stopped doing so because the initial payments did not give them a sufficient return to meet their costs.

I would like to see the board give some consideration to increasing the initial price on oats. Actually, the initial price at the present time is not a realistic one at all.

Mr. KRISTJANSON: I think that probably the reason for cutting it back from 65 cents to 60 cents was that loss on the 1956-57 pool. The next year the final payment was 7.4 cents.

Mr. HORNER (*Acadia*): How big was that loss per bushel? Could you give a rough figure?

Mr. RIDDEL: About \$1,200,000 in total. I forget the exact figure. It was not large.

The CHAIRMAN: Anyone who has a question to ask on this point please indicate so before we go back to the members previously on my list.

Mr. SOUTHAM: I have a question on the same point. I think that the points made by Mr. Rapp on the subject of the pricing of wheat, Mr. Horner's remarks in support of that, as well as Mr. Nasserden's remarks are very well made. I think in looking at the figures over the last 10 years we find that there are two factors, the increased demands in world markets for wheat and the fact that countries which have had a lower standard of living now have a higher standard of living. We all realize in eastern Canada that we are developing a better market for feed grains. We see this when we look at the estimates concerning cattle production, both beef and dairy cattle. Those figures indicate an increasing demand.

When we look at the regulations regarding feed millers in Canada and the fact that local farmers come into the market to buy feed oats, which gives the farmer who is not a feeder but a producer a lower return, as well as when we look at all the facts that Mr. Nasserden spoke of, we see that the wheat board would be well advised to take a look at the whole situation with the purpose of tightening up the spread between No. 5 and No. 6 wheat as well as the oat price. I think it is something that would bear a closer study and we would be better advised to do that than to fall back on the pattern which we have been following for the last 10 years.

Mr. RIDDEL: I might say that the fixing of the prices for the low grade wheat would be entirely in the hands of the board in relation to the price fixed by the government for No. 1 Northern. A reduction of five cents was made on the initial payment of oats, that was a five-cent reduction in the price of the basic grade, No. 2 C.W. Of course, the other grades of oats were reduced accordingly by the board in order to keep the prices in relation to the price for the basic grade. In the case of oats, the price of the basic grade would have to be increased before the Canadian wheat board could make any change in other grade prices. However, in the case of No. 5 and No. 6 wheat, the board itself could make that change in fixing its initial payment for the next year by merely narrowing the spread.

Mr. HARKNESS: There is another important consideration in regard to the initial price for oats. If, as you contended, a higher initial price would result in considerably increased quantities coming into your hands and thus into



commercial markets, that increase in supply would then tend to beat down the price, and therefore the total return to the farmers in western Canada who are producing these oats would be smaller.

Mr. RIDDEL: No, I think the feeling at the time was that we were probably entering into an era of lower prices, and with the loss sustained in one year we wished to avoid having losses on the initial payment if possible. It was deemed advisable to reduce the oat price to what was then considered a sane level.

Mr. HARKNESS: I realize that, but the point I made would still apply. If you did buy at a higher initial price you would secure a considerably increased quantity of oats and the supply of oats in commercial positions would then depress the price further.

Mr. FORBES: Mr. Chairman, I would like to say this on the continuity in the production of oats. I do not think it is the initial price that affects the production of oats, it is this quota basis. The oat producer gets half the amount of money which he would get if he produced wheat. This has induced people to produce something that would bring more money each time the quota is opened. A few years ago you never received a sufficient quota to sell all the grain you were producing, and this was quite a consideration in the production of oats.

Mr. RIDDEL: If there is a shortage of supply, and we feel there are oats available on the farms, they can always be brought forward by providing supplementary quotas, which we have done from time to time.

Mr. FORBES: This did not happen a few years ago when there was quite a surplus.

Mr. RIDDEL: If there is a surplus of oats in the forward positions it is unnecessary to establish any additional quotas to bring forward any more supplies.

Mr. RAPP: Mr. Chairman, before we move to the second chapter I should like to say a few words.

The CHAIRMAN: Do you wish to speak on this question of oats?

Mr. RAPP: No.

The CHAIRMAN: Mr. Langlois had a supplementary question.

Mr. LANGLOIS: I am glad that the western provinces established their prices, but they should consider the price at which we buy. In fact, I think you can get pretty well anything you ask for in the selling prices. According to the title of the brief our subject is the eastern Canadian feed grain situation.

The CHAIRMAN: Is your question a supplementary one?

Mr. LANGLOIS: It is restricted to oats. It was said a while ago that the buyers in eastern Canada ordered feed oats. Are feed oats a more nutritious grain than seed oats, for example? Is there such a difference between the prices at which you sell feed oats and the price of seed oats? What is the difference?

Mr. RIDDEL: Mr. Chairman, I was going to say that there are different types of seed oats; they might be registered seed or certified seed, both of which are examined by officials of the plants products department before they are graded. They require extra care in the growing and extra care in the cleaning. They are then sacked and they cost considerably more than ordinary commercial feed oats. I do not think there will be a market in eastern Canada or elsewhere for these high priced oats for feeding purposes.

Mr. LANGLOIS: The initial price of the plain No. 1 C.W and No. 2 C.W is 45 or 50 cents. Is that correct?

Mr. RIDDEL: Sixty cents for No. 2 C.W., which is usually of the highest quality and is the highest grade of commercial oats.

Mr. LANGLOIS: So the initial price is 60 cents per bushel?

Mr. RIDDEL: Below that we have number 3 C.W. and extra 1 feed, which are priced at 57 cents, three cents below No. 2. Below that we have No. 1 feed which carries an initial price of five cents below the No. 2 C.W., or 55 cents. That is the grade we have been discussing.

Mr. LANGLOIS: I would imagine there would be a difference in the nutritious quality of No. 2 C.W. and No. 1 feed?

Mr. RIDDEL: There would be some difference which is reflected in the selling prices or selling volumes. For example, the board's price for No. 2 C.W. oats is 78 cents, or 4¼ cents higher than for No. 1 feed at the present time.

Mr. LANGLOIS: If you sold more of this No. 2 C.W. oats in the eastern provinces would that not open a market for the western provinces also?

Mr. RIDDEL: We sell according to the grade placed on the oats by the inspection department of the board of grain commissioners. We sell the grades that are given to us on the warehouse receipts issued by the terminals for the grain which they receive and which is inspected at the time of receipt by the inspection department of the board of grain commissioners. We sell according to these grades.

Mr. LANGLOIS: Here is the point I am trying to make. After we buy feed oats or screenings that come into eastern Canada we have to buy half a dozen by-products before the thing is edible for the cattle. If we had 2 C.W. oats, maybe we would not have to add so many ingredients to what we receive to equal the No. 2 C.W. oats.

The CHAIRMAN: I would like to say a few words at this point. I would hope the committee would excuse me. I really think the point is this, that the western farmer or the board cannot dictate what the eastern farmer wants to buy. Is it not a case of supply and demand or of the market conditions?

Mr. LANGLOIS: I think it is a case of trying to find out what is wrong in the eastern provinces in the sale of these grains. We have to ask a few questions before we know what is wrong there. If you remember, a brief was brought before us for an eastern Canadian agency to be set up in Montreal. I want to know what the wheat board controls in the eastern part of Canada and if there is a possibility for setting up an agency there. We have to inquire into that question before we can take a definite stand on it.

The CHAIRMAN: I do not want to limit you unduly but we will have before this committee within the next two weeks representatives of the feeders in eastern Canada who I think will be better qualified to answer questions on the type of feed that is economically best for them to buy in eastern Canada.

Mr. LANGLOIS: I would go along with you on that, Mr. Chairman, but then there is the fact that so far we have concentrated on the western provinces, on establishing their prices. They have made their point very well and I congratulate them on that because they did a good job on it this morning. I would still like to come back to the title of this brief which is a brief on the eastern Canadian feed grain situation. We have to start from where they left off and continue with the subject concerning our provinces now to see what we can establish here. If we cannot make a link between the two and try to solve the problem which exists in the eastern provinces now, we will not get very far ahead. This is the main problem now.

Mr. KRISTJANSON: If you move on to the next section in the brief which deals with the role of the wheat board in the marketing of feed grains and what our powers are there, you might find an answer to your problem.

Mr. LANGLOIS: When we come to the end I will make sure to cover all four sections.

Mr. PETERS: A remark was made here, I do not know who made it, that the oats that were going through the board were a very small percentage of the total production in western Canada. What is this percentage?

Mr. RIDDEL: It was mentioned in this brief as being about 25 per cent of the production.

Mr. PETERS: Of this 25 per cent which goes through how much effect does the other 75 per cent of wheat production in western Canada have on the price of oats?

Mr. RIDDEL: I suppose it would limit the farmers in western Canada to producing oats largely for their own use, as indicated by the percentages marketed.

Mr. PETERS: In these figures you are really saying that 75 per cent is home consumed and 25 per cent is sold through you, which of course is not true because there is a fairly substantial sale that is bootleg sale.

Mr. HORNER (*Acadia*): No, it is not bootleg.

Mr. PETERS: All right; you say it is not bootleg.

The CHAIRMAN: I do not think we need to argue about the term "bootleg".

Mr. PETERS: If you say it is not bootleg because it is not moved over the provincial border—

Mr. JORGENSEN: And because it is perfectly legitimate.

The CHAIRMAN: We are using the term "bootleg" and something legitimate.

Mr. HORNER (*Acadia*): It is a misleading term and should not be applied.

Mr. PETERS: Then we could ask how much is bootlegged, in your sense of the term.

Mr. HORNER (*Acadia*): I am listening, Mr. Peters.

Mr. PETERS: We could ask how much is bootlegged—as I say, using your sense of the term—over the provincial borders.

Mr. HORNER (*Acadia*): There is none.

Mr. PETERS: Yes, there is some.

Mr. HORNER (*Acadia*): Maybe one-tenth of one per cent.

Mr. PETERS: I am asking the board how much there is.

Mr. KRISTJANSON: Some oats are purchased by non-quota feed mills; this amounted to 3,866,000 bushels last year.

Mr. PETERS: What would that be in percentage figures?

Mr. KRISTJANSON: One per cent.

Mr. HORNER (*Acadia*): That is within the province? He is asking what percentage moves across the provincial line outside the Canadian wheat board.

The CHAIRMAN: The question was what percentage, if any, moved from one province to another outside the Canadian wheat board.

Mr. RIDDEL: None if we can find them.

Mr. PETERS: Do you find some?

Mr. RIDDEL: Yes, and if we find anyone moving oats across the inter-provincial boundaries without a permit it is a breach of our regulations and steps would be taken.

Mr. ASSELIN (*Richmond-Wolfe*): What steps?

Mr. RIDDEL: What steps would be taken? If we had the evidence that they were in breach of our regulations suit would be instituted and they would be taken to court and a decision would be rendered by the court.

Mr. PETERS: How much is involved?

Mr. RIDDEL: I would say the quantity is very small.



Mr. PETERS: It is not a real factor?

Mr. RIDDEL: It is not a real factor at all.

Mr. PETERS: The changes made that allowed feed mills to make purchases outside the wheat board on non-controlled feed grain must have had some effect on prices. What effect has this had on the price? Obviously the board has only control of 25 per cent. Seventy per cent is either in the farmers' own hands or in the hands of the feed mills. What effect does this have?

Mr. RIDDEL: Very little effect in price.

Mr. PETERS: On the selling price of oats?

Mr. RIDDEL: Very little. Mr. Kristjanson gave the figures.

Mr. KRISTJANSON: On oats it was 3.9 million bushels; wheat 2.6 million; and barley, 4 million. I do not think this has had any effect on the price structure in western Canada.

Mr. PETERS: This is not what Mr. Horner said. He said that he could see no point in delivering oats under a quota system and under the initial price the board was offering because he could see a more advantageous proposition in feeding this. This is 75 per cent.

I would think this was a big factor in establishing the price because of the limited control in this field.

Mr. RIDDEL: That is the 75 per cent retained by the farmers for consumption by livestock on their own farms.

Mr. HORNER (*Acadia*): There is a direct relationship between the price of cattle or hogs and the grain.

Mr. PETERS: It would seem to me—and I may be wrong about this—that eastern Canada is interested in establishing the feed cost relationship between east and west; if you short circuit this process where many of the eastern feeders are having to buy through the Canadian wheat board at a set and established price, it would certainly affect the relationship between the feeder who does not have to buy this way because of certain circumstances, he owns the grain and so on. The sale of a substantial quantity would have an effect on the price.

Mr. RIDDEL: If you put a large quantity on the market, a quantity sufficient to depress the prices to any extent, that would affect the producer of grain oats in the following year and acreage would be curtailed if the price came out of line in comparison with the production of other grains.

Mr. PETERS: Someone told me the other day, and this may be rumour of course, that there was a great deal of trafficking between farmers themselves within the province. I presume it is field-run grain which is not graded and we could not tell what it really was in terms of putting it into a category. Would this not have an incalculable effect on the price of the end product?

Mr. JORGENSEN: How long has it been possible for one farmer to sell to another farmer in western Canada within the province? Is this a recent innovation?

Mr. RIDDEL: They have always been able to do so. That right has been given to them provincially and we cannot take away that right. They have the right to sell grain from farm to farm without any hindrance.

Mr. PETERS: I was not implying that this was a recent innovation. I am curious whether you think that this has had an appreciable effect on the establishment of your selling price from elevators to eastern Canada.

Mr. TARDIF: I think the complaint we have in eastern Canada is that there is too much spread between what the western farmer receives for the product he grows and what we have to pay for it in eastern Canada.

The CHAIRMAN: May I with respect, interject here to say that I want to conclude Mr. Peters' line of questioning, and then we will move to others.

Mr. ASSELIN (*Richmond-Wolfe*): On a point of order, the other day Mr. Phillips gave the committee a summary of the amount the farmer was paid for his oats in western Canada. I do not know whether you were here, Mr. Peters. But Mr. Phillips told us how much the farmer had to pay for the oats in eastern Canada. I think that is in the record.

The CHAIRMAN: That is correct. I think Mr. Peters' line of questioning is in order because we were trying to confine it to the price of oats, the initial payment and the final payment of oats. If Mr. Peters were to go further than that, then it would be irrelevant, but I think he had been following that line.

Mr. PETERS: My reason was only to ask the board if they felt some changes should be made in the method we have been following for handling oats in western Canada in order to establish a more reasonable initial price. In other words, this is so the board could stabilize the price to the point of bringing its spread closer.

Mr. Horner mentioned that the spread is running at 14 cents and 15 cents. If you could suggest some way of stabilizing the spread at four or five cents that would be sufficient to protect the board's interest. I wondered if the fact that 75 per cent was not under your jurisdiction might not affect this. I was wondering if there was some way in which there could be a relationship established by this. I am of the opinion that there is a considerable amount of sales going on at an interfarm level and the utilization is not necessarily by the grower of the grain.

The CHAIRMAN: Would you like the board's comment on that observation?

Mr. RIDDEL: I do not know what the volume would be of farm to farm transactions. Perhaps the provincial governments would have it. The point in regard to raising the initial payment is problematical. It might encourage more oats to be delivered to the board, which would have the effect of depressing prices if they had to be brought forward and sold in the market rather than utilized in the province in which they are grown.

Mr. RICARD: Mr. Chairman, from the information we were given a while ago are we to understand there is no demand in eastern Canada for No. 1 seed oats?

Mr. RIDDEL: No. There may be a demand in eastern Canada particularly at times when the crops in eastern Canada are not good. There may be a demand for seed grain but—

Mr. RICARD: No. 1?

Mr. RIDDEL: It could be No. 1 or No. 2 seed grain. I merely stated that the handling of registered and certified seed grain is outside the jurisdiction of the board and grain of that category is usually obtained from registered seed growers or from seed merchants who specialize in these particular products.

Mr. LANGLOIS: May I refer to Mr. Peters' line of questioning concerning a 75 per cent inter-farm sale of oats. Mr. Horner was questioning the initial price. If the initial price was raised, would there not be a greater production of oats? I know farmers, for example, who seed 30 or 40 acres of oats instead of 100 acres because they say they cannot sell much anyway and the price is not high enough, so they do not sow any oats. Their reasoning is straight and logical. If you were to have a higher initial price you possibly would have a greater demand for oats, would you not?

Mr. RIDDEL: That would depend on their circumstances. The initial payment price in itself might induce production; that is to say, more acres might

be seeded. However, the initial payments are not usually set until after seeding has been completed. It is actually the final return which the producer obtains for his commodity which determines his thinking regarding production from then on.

Mr. SOUTHAM: Mr. Langlois used the expression of 75 per cent of the exchange of feed oats between farmers. This I think is wrong. Seventy-five per cent of the total consumed is consumed in western Canada but I would say 90 per cent is consumed right on the farmers' own farms which produce it, so it is only a very small percentage of the 75 per cent that would be actually exchanged.

Mr. NASSERDEN: I think one or two points which have been brought up have left the wrong impression. Mr. Langlois referred to the additives necessary to the feeds brought in from western Canada as though we do not add anything to our feeds in western Canada. That is a wrong impression. If we want to balance our feed in western Canada we have to make the same additions as they have in eastern Canada and we have to start with the basic product just as they have to start with the basic product.

In reference to Mr. Peters' observation about the grain outside the quota, all one has to do is look at the newspapers to see that a few years ago there were many advertisements seeking buyers, whereas today there are many advertisements from buyers seeking to find someone who will sell them grain. So the amounts moving in that kind of trade today are much less than they were a few years ago before the change was brought about to which you were referring.

Mr. RAPP: I would like to have an answer about malting barley. Malting barley is mostly sold in carload lots to the malsters, but the trouble we encounter on the prairies is that if a malster accepts the malting barley one has to have a car spotted at the delivery point. In many cases one cannot get a car spotted at that particular delivery point and the neighbouring town may be five or six miles away; they could spot them at these particular places. Why could the farmer not obtain permission to deliver his malting barley to that other delivery point. I know many cases where the farmer has lost because he could not get it spotted and he had to sell his malting barley as feed barley.

Mr. RIDDEL: Mr. Chairman, Mr. Rapp, I think in cases like that where there is space available at an adjoining point and no space available at the producer's own point, the objection to the system that you suggest would come from the producers at the adjoining point. They wish to keep that space available for their own use rather than give it up to anyone from another district. In so far as the cars for malting barley are concerned, it has always taken a very high precedence in the wheat board's shipping list and of the cars usually supplied to a station and given to the elevator companies the first cars available are distributed for the shipment of malting barley.

Mr. RAPP: I am not complaining about the wheat board. You are quite right; one can always get it. The trouble comes when one cannot get a car to the particular delivery point; whereas six miles away they can have all kinds of cars spotted.

Mr. RIDDEL: These things sometimes happen. It is a matter of distribution of the cars by the railway company.

Mr. RAPP: Could this not be corrected or alleviated? Could you not make any changes?

Mr. RIDDEL: I doubt if it would alleviate the situation. I think it might create more difficulties.



Mr. RAPP: I have a very thick file containing farmers' complaints about losing their privilege of selling their barley as malting barley and having to sell it as feed barley at a substantial loss. They have had to do this with full carloads of barley.

Mr. NASSERDEN: Is it not a fact that a farmer that position could put his order to the railway company on the car order book and he would get his car from the railway in preference?

Mr. RIDDEL: If the car order is being operated, but it is not being operated at many points, if at all.

Mr. NASSERDEN: But if a farmer went in and indicated that he wanted to place an order, would this not be possible?

Mr. RIDDEL: To perhaps place a car at the platform rather than the elevator.

Mr. NASSERDEN: He could even have it placed at the elevator company. He would have to pay the handling charge.

Mr. RIDDEL: Not many do it. It has largely fallen into disuse as a result of the quota system.

Mr. NASSERDEN: The quota does not apply to malting barley.

Mr. WATSON (*Assiniboia*): In reference to Mr. Rapp's point, is it not true that if I am going to ship a load of malting barley I must have a permit to start with for 1,500 or 2,000 or whatever a carload is going to be. When I get that there is no restriction on bringing a car into a given point. The only difficulty might be getting it through the elevator into the car. I cannot see the problem here.

Mr. RIDDEL: Unless the elevator is congested, there should be no difficulty in getting the grain into the elevator and getting a car for shipment.

Mr. WATSON (*Assiniboia*): Even if the elevator is congested this is a straight through deal. It is a matter of dumping it, elevating it and then straight into the car?

The CHAIRMAN: It is almost 12 o'clock. If we have completed the discussion on item I, could we hear item II and then adjourn for lunch?

Agreed.

Mr. FORBES: What is the premium on malting barley now?

Mr. RIDDEL: Five cents.

Mr. FORBES: Not three cents?

Mr. RIDDEL: It was down to three but this year it has gone to five cents.

Mr. HORNER (*Acadia*): Does the wheat board set that premium or do the maltsters set the premium?

Mr. RIDDEL: It is negotiated between the wheat board and the maltsters. Actually, we set it.

Mr. HORNER (*Acadia*): You set it in negotiation with the maltsters?

The CHAIRMAN: I am now going to ask Mr. Riddel if he will read item 2, and if the committee agrees we will then adjourn until after orders of the day.

Mr. RIDDEL:

## II. The Wheat Board's Role in the Marketing of Feed Grains

We should like to explain very briefly what the Canadian wheat board is and how it operates in relation to the marketing of feed grains for purposes of background information.

As the members of this committee are aware, the Canadian wheat board is a crown agency, responsible to the parliament of Canada, and operated for the benefit of the western grain producers. The purpose of the board is to market the grain produced in western Canada at such prices as it considers reasonable, with the object of promoting its sale in domestic and world markets. The board has been given certain monopoly powers by parliament, under which it has the sole right to market all wheat, oats and barley delivered into commercial channels by producers in the three prairie provinces and in certain adjoining sections of Ontario and British Columbia.

The board itself consists of four members who have been appointed by the government and hold office at its pleasure. The board has complete jurisdiction over its own officials and staff. It is formed without capital and, for the financing of its operations, relies on bank credit, repayment of which is guaranteed by the government. With the exception of its head office building in Winnipeg, it owns no physical facilities but makes all necessary arrangements with the owners of country elevators, terminals, railways, etc., for the use of their facilities in the handling of grain on its behalf.

To understand how the wheat board effects the marketing of feed grains, it is necessary to begin at the time when the producer delivers his grain to the country elevator. When he delivers his grain, he receives what is known as the initial payment. The initial payments for the various grains handled by the board; viz., wheat, oats and barley, are established annually by the government of Canada for basic grade of each of these grains. They are usually fixed at a safe level below market prices. For example, the initial payment for oats this year has been established at 60 cents per bushel for No. 2 Canada Western, and at 96 cents per bushel for No. 3 Canada Western six-row barley, both basis in store Fort William/Port Arthur. Initial payments for the other grades of oats and barley are established by the Canadian wheat board in relations to these prices.

Once the grain is delivered by the producer to one of the 5,000 odd country elevators scattered throughout western Canada, the board arranges with the elevator companies to ship the required types and grades of grain from country elevators to terminal positions. The technique of doing this is through the issuance of shipping orders to the elevator companies by the board country operations department. These orders are relayed to elevator agents and they, in turn, place orders for railway cars with their local railway agents. Meantime, the board has given officials of the railway companies an assessment of overall car requirements for the movement of grain to the various terminal positions and also keeps them informed of all shipping orders issued to the elevator companies. Through the co-operation of all parties concerned, the railway cars are furnished, loaded, billed and moved forward as directed. Eventually the board receives from the elevator companies warehouse receipts or other documents evidencing that the required grain has been placed in storage at the terminal position as instructed. Meantime the grain has been weighed, inspected and graded by officials of the Board of Grain Commissioners in accordance with the provisions of the Canada Grain Act. This procedure is maintained throughout the season and the board endeavours at all times to have a constant supply of the various types and grades of grain at terminal positions to meet requirements in relation to the indicated demand. Occasionally factors such as miscalculation of demand, weather conditions, unfavourable crops and preference

movement of other grains may upset the above policy temporarily, but generally a fairly high degree of successful achievement is maintained.

We have already indicated how the movement takes place and that the board eventually receives possession of documents evidencing ownership of the grain in terminal positions. The marketing of the grain by the board for the eastern market is thus reduced to disposing of the warehouse receipts covering grain in store lakehead terminal elevators.

Consistent with demand, the board's sales departments very probably have entered into forward sales contracts with members of the regular grain trade who undertake the responsibility of servicing the feed grain requirements of the eastern Canadian market. In such event, warehouse receipts corresponding with the quantities and grades involved are then invoiced to the buyer by the board in accordance with these contracts, payment received and the transactions completed. The buyers, in turn, arrange for the forwarding of the grain to eastern destinations where it will eventually pass through the eastern trade to reach the feeders in the form of either bulk grain or prepared feeds as required.

Alternatively, if forward sales for the grain have not been made and buyers are not immediately available, the board would hold the warehouse receipts for later sale. In the case of oats and barley it would endeavour, if it were considered to be in its interests to do so, to make sales on the futures market of the Winnipeg grain exchange by entering into contracts for future delivery and should fulfill these contracts in accordance with the trading rules of the exchange.

The Board fixes its asking prices for grain in store Fort William/Port Arthur and posts them in the Winnipeg grain exchange at the close of the market each business day. Prices for low grade wheat are usually fixed in relation to the prices of higher grades, the spreads varying in accordance with supply and demand. On the other hand, the asking prices for oats and barley are related to the futures market, board prices for these grains being usually slightly higher than Winnipeg market quoted prices which are established by bids in the hands of brokers.

Since the board makes available to the trade stocks of oats and barley in store Fort William/Port Arthur, it is understandable that bids in the hands of brokers should be below the board's asking prices in the hope of obtaining supplies at lower prices from holders other than the board.

While some supplementary movement of feeding grains may be required from other areas from time to time, the requirements of the British Columbia feed industry are generally taken care of from production of grains within that province, particularly the Peace River area. Similarly, the needs of the other three western provinces are generally met from their local production.

Summarizing how the wheat board effects the marketing of feed grains, the board, after initial payments are established by the government, authorizes the elevator companies to purchase feed grain from producers on its behalf. From the country elevator, the board controls the movement of this grain to terminals at Pacific coast ports or the lakehead through the issuance of shipping orders. Stocks in terminals are sold to the trade and if a surplus is realized in excess of the initial payment and necessary marketing costs, such surplus is distributed to the producer in the form of interim and final payments.

Mr. SOUTHAM: I move adjournment, Mr. Chairman.

The CHAIRMAN: We will now adjourn until after orders of the day.



## AFTERNOON SITTING

THURSDAY, December 5, 1963.

The CHAIRMAN: Gentlemen, would you please come to order. We will proceed with the afternoon session of the committee at this time.

When we recessed at noon Mr. Riddel had completed reading the second item which starts at the top of page 6, entitled "The Canadian Wheat Board Role in the Marketing of Feed Grain."

Gentlemen, we got along very well this morning and I would ask for your co-operation this afternoon. I would ask that you confine your questions to the relevant part of this particular item.

As this section already has been read you may have some questions to pose at this time.

Mr. ASSELIN (*Richmond-Wolfe*): This has nothing to do with the wheat board but at our last sittings Mr. Phillips gave a statement showing the cost of barley at \$1.09 and followed it all the way down to eastern Canada.

I notice in this morning's "*Le Devoir*" they had used the word "wheat" instead of "barley" and, for the record, I would like to make that correction.

Mr. LANGLOIS: Mr. Chairman, I have a few questions which I would like to put at this time.

The CHAIRMAN: Would you proceed?

Mr. LANGLOIS: I would like to refer to the matter which we were discussing this morning relating to permits issued by the wheat board to different organizations such as the flour and feed mills in western Canada.

Were these permits issued by the wheat board?

Mr. RIDDEL: It was not so much a permit as an approval of an application from particular mills to act as non-board feed mills, which permits them to purchase grain direct from the producers outside of the quotas.

In addition, we sometimes have signed with flour mills under which they are permitted to purchase wheat direct from the producers under the quota, and if they are to use that wheat for gristing into flour they repurchase it from the Canadian wheat board at the board's selling price.

Mr. LANGLOIS: The other day I asked an official of the board of grain commissioners, who issued permits in eastern Canada for corn to be imported from the United States to Quebec and the eastern provinces. I was told he did not know who gave the permission for such a transaction.

Mr. RIDDEL: As stated in this brief, no permit is required for the importation of corn into Canada from any source; that includes the United States, South Africa, and Argentine. There is a duty of 8 cents per bushel applicable to the United States; I am not sure of the duty in the case of the other countries, but it is about the same.

Mr. LANGLOIS: Are there any restrictions in that permit which prevents the western feed mills from shipping feed directly into the eastern provinces for use by those people who have large herds of cattle, such as the contract farmers in Quebec? Can these people receive feed from these feed mills in western Canada direct?

Mr. RIDDEL: Not unless the feed is manufactured from grain purchased directly from the board.

In the case of the non-quota feed mills, they are only allowed to purchase grain for re-sale as feed within the provinces in which they are located. They cannot ship over provincial boundaries.

Mr. LANGLOIS: But if they get the wheat from the wheat board they can ship into the eastern provinces?

Mr. RIDDEL: Yes; if they purchase it from them at the wheat board prices they receive a permit to ship that grain or feed produced from it to any other province, or for export.

Mr. LANGLOIS: One of the problems that comes up is that some of these buy it and ship it into Quebec and the contract farmers there get it at a lower price by buying it in bulk than the ordinary farmer can buy it, and that is causing a great deal of trouble. Instead of having maybe 100 or 150 hogs perhaps they have 4,000 hogs and 15 cents or 25 cents per hundred pounds is quite a profit. The other farmers cannot take advantage of this and, therefore, cannot compete. Is there some way of preventing that?

Mr. HORNER (*Acadia*): Are you against quantity discounts?

Mr. LANGLOIS: No, but quantity importing by the large contracting farmers, making it very difficult for the small farmer to compete.

The CHAIRMAN: Mr. Langlois, did you want an observation?

Mr. LANGLOIS: Yes.

Mr. RIDDEL: Mr. Chairman, the only thing I can say is that anyone buying wheat from the wheat board, regardless of quantity, and if it is one car lot, 10 or 100, the price per bushel is the same; it is the price in effect on the date of sale or the date of purchase, whichever arrangement is made.

Mr. LANGLOIS: Do only those with permits from the wheat board have the right to buy on that basis?

Mr. RIDDEL: Anyone can buy through an agent of the wheat board. Very few would buy direct from the wheat board because of the difficulties of arranging to ship. We would merely sell them a warehouse receipt or, if the grain was still in country elevators, the sale would be arranged through the company operating the elevator in accordance with arrangements made with the wheat board under their agreement.

Mr. LANGLOIS: In effect, are some of these feed mills agents of yours?

Mr. RIDDEL: No, they are not agents of the board; the non-quota feed mills are operated under an agreement with the board to purchase grain outside the quota at prices negotiated with the producer for re-sale within the province in which they are located.

Mr. LANGLOIS: Do you have agencies in all the provinces?

Mr. RIDDEL: Yes, we have elevator companies acting as agents of the board in all three provinces, in respect of a small area in British Columbia, and in one or two shipping points in western Ontario.

Mr. LANGLOIS: You have none in Quebec?

Mr. RIDDEL: No.

Mr. LANGLOIS: How would you go about it if someone in Quebec wanted to buy from an agency? Would you have an agency in Ontario?

Mr. RIDDEL: No; we have members of the trade in Winnipeg acting as agents of the board for the sale of grain into domestic and export channels.

Mr. LANGLOIS: So you could order directly from Winnipeg into Quebec?

Mr. RIDDEL: Yes, through an agent of the board. Some of these board agents have offices in Quebec and in Ontario.

Mr. LANGLOIS: Are there any places in Quebec in which you have these offices? Suppose I wanted to order from Quebec; how would I go about it? Would I have to make contact with Winnipeg?

Mr. RIDDEL: No, not necessarily; there are agents in Winnipeg, such as James Richardson and Sons, as an illustration, and they have an office in Toronto. I think they also have an office in Montreal. You could make contact through their representatives there for the purchase of western grain.

Mr. LANGLOIS: These are your agents and not foreign brokers?

Mr. RIDDEL: No; James Richardson and Sons is one of our eastern agents operating from Winnipeg in the domestic and export market.

Mr. LANGLOIS: Do you have a control on the re-sale of his grain?

Mr. RIDDEL: No, we have no control on the re-sale; we have an arrangement whereby we will supply grain to our agents at the daily asking prices.

Mr. LANGLOIS: You supply him with the grain but you have no control over your agent in respect of the price at which he sells it again.

Mr. RIDDEL: Once he has purchased grain from the board he becomes a principal in the transaction in respect of any further disposition of that grain into eastern Canada.

Mr. LANGLOIS: And from there on he becomes a broker?

Mr. RIDDEL: A principal. I would not use the word "broker"; he could be selling only to the wholesale interests. It depends on their own set-up, their own arrangements from there on.

Mr. LANGLOIS: Then, the wheat board from there on has no control whatsoever on its grain once these agencies take it?

Mr. RIDDEL: Not in the case of domestic grain.

Mr. LANGLOIS: How about export grain?

Mr. RIDDEL: In the case of export grain, some is moved east into ocean shipping positions, such as the St. Lawrence and Atlantic ports, and that grain is shipped on what we call an agency basis. The board retains control over the grain until it is sold. Once it is sold to an agent in any one of these positions the grain becomes his for disposition in accordance with the basis of sale; that is, if it was purchased for export, and the agent then is free to sell it at whatever price he can obtain for it in competition with others.

Mr. LANGLOIS: In respect of our recent sale of wheat to Russia did you sell that to an agent as well?

Mr. RIDDEL: In that case an agreement was entered into between the Canadian wheat board and the Russian department of exportkhleb, under which we agreed to make wheat available for sale by our agents for the price agreed upon by the board and exportkhleb.

Mr. LANGLOIS: The wheat board had a definite price?

Mr. RIDDEL: Yes. We made the wheat available to our agents and the agents, in competition with each other, offered the wheat on that basis, plus their added costs for certain purposes. They handled the transaction.

Mr. LANGLOIS: You have no control after on the set price of the agents' fee.

Mr. RIDDEL: No.

Mr. LANGLOIS: For example, suppose I place myself in the Russian position; I could go around to different agencies and try to get the best price I could out of it.

Mr. RIDDEL: Yes.

Mr. LANGLOIS: And, suppose there was sort of an understanding between agencies not to go below a certain price, what would happen then? Could they not put such a control on the wheat board that you could not export a bushel of wheat?



Mr. RIDDEL: We have not run into a case like that. There is always keen competition between agents.

Mr. LANGLOIS: Am I correct in saying that Russia paid approximately \$500 million in respect of the wheat sale?

Mr. RIDDEL: Yes; that is an approximate figure.

Mr. LANGLOIS: Or, 500 million bushels.

Mr. RIDDEL: Dollars.

Mr. LANGLOIS: Was that the contract price received by the wheat board or the approximate price received by the agencies?

Mr. RIDDEL: It has never been the policy to disclose the terms of an agreement in respect of the price at which the board sells to any of these countries or agents, but you could use that for the purpose of illustration.

Mr. LANGLOIS: Russia paid \$500 million; was that what she paid to the wheat board?

Mr. RIDDEL: No. The grain would be purchased from the board by the agent who has been successful in transacting the business with Russia and there is an amount provided for the additional services in respect of the shipping of that grain. But, the wheat would be purchased by the agent from the wheat board at the price agreed upon with the board at the same time the transaction was originally entered into, and would include, in addition to that price, any additional amount agreed upon between the agent and Russia for the services which the agent was called upon to perform.

Mr. LANGLOIS: In other words, we will never know exactly how much Russia did pay for that wheat?

Mr. RIDDEL: We know, as a board, what they are paying us.

Mr. LANGLOIS: But we never will know the final cost.

Mr. RIDDEL: No, I do not know that we would know because we did not enter into the transaction between the agent and Russia.

Mr. LANGLOIS: These fellows could even block your own markets in respect of wheat. They have done it in respect of sugar. You state the wheat board has a definite price.

Mr. RIDDEL: Yes.

Mr. LANGLOIS: But from there on these agencies become brokers on the world markets?

Mr. RIDDEL: Yes, that is their basis of contracting business.

Mr. LANGLOIS: But they have the final setting of prices. They pay you so much. The wheat board asks for a certain amount, but if they do not receive the price from the foreign countries they can block the whole sale.

Mr. RIDDEL: No, they could not because the Canadian wheat board has entered into a master contract to supply the wheat to the agents at a given price. That is, we have a sales contract with the ultimate buyer. Then we ask our agents to offer the wheat on the basis of the price on which we make it available, and if an agent is successful in his offer he would enter into a contract to supply the wheat to Russia. He would book the wheat with the board at the price agreed upon.

Mr. LANGLOIS: But he could still raise the price in respect of his commission.

Mr. RIDDEL: Yes, but he would be doing so in competition with the other 15 or 20 agents.

Mr. LANGLOIS: But if there is ever an understanding between the agents, which has occurred in the past, in respect of exporting, it would be a bad thing; they could more or less blackmail the country's market by expecting to get a higher price.

Mr. RIDDEL: Well, that condition has not existed so far.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, on a point of order, I think these questions are hypothetical. I do not think Mr. Langlois is following a line of questioning at this time which is relevant to what we are discussing.

Mr. LANGLOIS: It is.

The CHAIRMAN: Order, gentlemen.

Would you allow Mr. Asselin to complete his point of order?

Mr. ASSELIN (*Richmond-Wolfe*): He is endeavouring to find out certain information in respect of prices; I think he should confine himself to the terms of reference.

The CHAIRMAN: I think the line of questioning is relevant and proper to the point where the witness is asked to express an opinion on the conduct of the agents, and I think that is beyond the sphere of the board's duties and this committee.

I have Mr. Peters, Mr. Vincent and Mr. Horner.

Mr. McINTOSH: On a point of order, Mr. Chairman, perhaps this would be a good time to bring up the point of order I brought up when the board of grain commissioners were here, in respect of what information should be relayed to this committee and what powers this committee has in that respect.

If you remember, we made a motion and we asked for advice from the Department of Justice.

The CHAIRMAN: If I may interrupt you for one moment, Mr. McIntosh; are you supporting a proposition that this board should reveal the price at which the wheat was offered to the agents for sale to Russia?

Mr. McINTOSH: I am supporting the proposition that it is not within the powers of this board to withhold information from us without a request from the minister. If this were so, this board would have more powers than a court or this committee.

The CHAIRMAN: If you have a point of order, Mr. McIntosh, I think we should hear it. However, I think your point of order should be directed to a specific item. If it is a matter of general discussion in respect of the duties of this committee I agree that this could be discussed, but I do not think this would be the proper time.

Mr. McINTOSH: We have been told that this board is of the opinion that it should not reveal these things which were requested, and I am directing it to that statement made by the present witness. In my opinion, unless the minister requests us not to ask such questions, the board should supply the information.

Now, do you want me to read this statement I have into the minutes at the present time or do you wish to deal with it later?

The CHAIRMAN: I have no objection to you reading a statement into the minutes, but I do not think Mr. Langlois is insisting or even really suggesting this information should be revealed and, in this instance, I do not think we have a point of order.

Mr. LANGLOIS: If I could say something further on the point of order, I started off in my questioning asking questions in respect of the internal markets and, to correct Mr. Asselin, I then put questions in respect of export markets, and I noted that certain controls were lacking.

The questioning brought out the fact that the eastern market has to buy grain from the agents and I want to look into the whole width and breadth of it, the complete scope of it. If we do not receive this information we are being limited to a certain amount of information which we already might

have. I want to know exactly what the field of activity is in respect of that agency and how far it can extend its powers. I am referring to the exporting field now.

The CHAIRMAN: I think you have your answer to that. I think the deputy chief commissioner told you in his reply that once the wheat is offered to the agents it is offered at a fixed price, and then it is just a matter of competition among the agents.

As I understand it, this board has no authority over the agents and, if we pursue a line of questioning in respect of the actions of the agents, in my opinion, we are going beyond the scope of this committee.

Mr. LANGLOIS: I do not intend to do that. I wanted to establish the fact that the wheat board sells the wheat or the grain to the agents and from then on it is the agents' responsibility, and he then can sell it on the market at whatever price he can get for it. I am satisfied in that connection now.

Mr. McINTOSH: On the same point of order, Mr. Chairman, the question is what this board can reveal in the way of information to the committee and what they feel they can withhold from the committee. What I have here is not official but I would like to read it into the minutes in order that the Department of Justice could scrutinize it and base a decision on it. On the other hand, the board may wish to have their legal advisers advise them in respect of this. As far as I am concerned, it is my contention that the powers of this committee are greater than some of the witnesses have understood in the past, so I would like to read it into the record.

The CHAIRMAN: Before you read it in I think we should know the author. I do not know if you are prepared to give us this information or if you can give it to us. If not, I am going to suggest respectfully it should not be read into the record, and the matter should be dealt with at the time we get the reply from the Minister of Justice relative to the particular motion you made.

Mr. McINTOSH: As I understand it, we made an error in this respect because the Department of Justice is a part of the government and they are not obligated at any time to give this committee rulings. We should have made our appeal to the law clerk of the House of Commons. Now, I can reveal the author of this but it is not necessary. This is a legal opinion and, until we get the decision back from the Department of Justice, I think I should leave it at that. As I say, this is a legal opinion. It is one possible interpretation by a lawyer.

The CHAIRMAN: If you have leave to read it in are you prepared to leave it there for the time being?

Mr. McINTOSH: Yes.

The CHAIRMAN: Is that agreed?

Some hon. MEMBERS: Agreed.

Mr. McINTOSH:

The power of the House of Commons or of a standing committee of the house to compel an officer or servant of the crown to give information, verbal or written, to the house or committee is unlimited—with one exception. That exception is the privilege of the executive to withhold information that, on the balance of convenience and inconvenience, would injure the public interests if divulged.

The rule itself is clear. The difficulty arises in applying the rule to a case where the house or committee is of opinion that disclosure could not prejudice by any possibility the public interest; while, on the other



hand, the executive is of opinion that such disclosure would cause such injury. A variation of the house or committee stand may be that an injury to the public interest is admitted but the house or committee is of opinion that non-disclosure would injure the public interest more than the disclosure would.

The courts and the executive have this same conflict; it is the court decisions that clarify and define the true basis on which the executive may justifiably claim privilege:

"The foundation of the rule is that the information cannot be disclosed without injury to the public interests, and not that the documents are confidential or official, which alone is no reason for their non-production."

Only a member of the executive can assert this privilege and define the exact limits which the privilege is claimed to cover in any particular case; and, of course, in so doing, he speaks for the executive collectively. A servant or agent of the executive cannot assert this privilege inasmuch as he does not have the required ministerial discretion nor is he qualified to gauge the public interest. The question is a matter to be determined between the house or committee and the executive.

The house or committee may reject the executive's claim, or the extent of the claim, in any instance. The consequences of such a rejection are not here dealt with. The house or committee may accept the executive's claim for privilege. Thirdly, a compromise may be reached between committee or house and the executive.

No statute enacted by the Senate, the house and the executive, that imposes secrecy in certain circumstances, and either absolutely or to a degree, upon an individual under penal sanction operates to bind the power of the house or committee to require disclosure of information in the public interest. There is no private privilege against a public interest. Upon disclosure by an individual, the house or committee usually takes the individual under its protection by treating any proceedings against the individual by reason of his disclosure as a breach of the privileges of the house.

In any question of disclosure or non-disclosure, the only consideration is the public interest. No consideration is given to the alleged confidential or official nature of the information: and, least of all, to any consideration of private interest.

The CHAIRMAN: Thank you, Mr. McIntosh.

We have on the list now Mr. Peters, Mr. Vincent and Mr. Forbes. Mr. Horner has a supplementary. Have you gentlemen questions along the same line of questioning as Mr. Langlois?

Mr. PETERS: Mr. Chairman, it seems to me we are all interested in the wheat board and I would like to raise this as a point of order.

It would seem to me that it might be wise if we asked the wheat board to help us rather than our putting very pointed questions to the officials of the wheat board. As you know, they are an agency of government and they have had a great deal of experience in these matters. I think if we go about it the right way we can elicit the type of information we want from the board in a very few sentences.

We could ask the board what assistance they could give us in respect of which legislative changes, in their opinion, are necessary to solve some of the things with which we are faced and being bothered by.

It seems to me we have been treating the board as a hostile witness, in many instances. I think we should ask them to give us the information that we want. They may be able to give us this in a very few minutes and then we can get down to the root of the problem.

That is the best thing to do, because in a few minutes you could get to the root of the problem which is, simply, that we in eastern Canada are concerned with the high price of feed grain. There is no question that the Canadian wheat board is not in the field which will solve the problem for us; we are aware of that. However, the wheat board may have in their experience and knowledge the information to give you which will assist you in putting forward regulations and some control over eastern feed grains which will eliminate some of the problems we have in a political sense.

I know this is not the manner in which the wheat board ever has been questioned before. If the wheat board will agree they are not hostile witnesses, and are willing to help us in a legislative way, I think we would be prepared to waive our search for information, if we do it in this way. I am thinking of the questioning Mr. Langlois started because in three or four days the pattern will be for us to arrive at an educated guess in regard to what we should do in a legislative field. It might be wise for us to give consideration to obtaining from the board the benefit of their experience in the fields which are allied to the problem we are interested in rather than have you give us information now in respect of the operations in question; obviously this is not the same field.

In respect of the problem mentioned by Mr. Langlois concerning agents, the question to be asked is, do you believe the use of agents is an expensive proposition in so far as buying grain in eastern Canada is concerned and, if so, what recommendations would you give to this committee to cut down that expense?

Mr. HORNER (*Acadia*): Including western Canada.

Mr. PETERS: I put this forward as a suggestion. I would appreciate it, Mr. Chairman, if you would consult with the board and ask them whether they are prepared to make a presentation in this regard, if it meets with the approval of the committee.

Mr. JORGENSEN: I do not think we should place the board in the position of giving opinions on what practice we should be following. This is our job and not the board's. The Canadian wheat board has a responsibility in respect of the prairie provinces. They are here to answer questions relative to their particular business. I do not think we should place them in the position of being asked to go beyond that.

I am perfectly in agreement with the line of questioning Mr. Langlois has carried on. He is trying to elicit information which may be somewhat vague to him, but I hope eventually this will be cleared in his own mind. I think much of this information is based on rumour, but if he pursues this he may get the picture straight in his mind.

Mr. LANGLOIS: I do not think you can have too many questions on assumptions. When you seek information, you are looking for the truth.

Mr. JORGENSEN: I am not in disagreement at all with the line of questioning, because I think it is an attempt to get the picture clear in his mind; but in the final analysis it will be our decision.

The CHAIRMAN: On the subject raised by Mr. Peters, I would have to say that if it is a point of order, I will deal with it as such. I think Mr. Langlois' questions were quite in order. With all respect, as Mr. Jorgenson has said, I think it would be unfair to put the board in the position where we ask them for advice in respect of policy or legislative changes; this is not their function.

The board has been very helpful to us in the preparation of this brief. I believe if we follow the brief carefully and keep our questions as short and concise as possible, direct and to the point, we will get along probably as quickly as possible.

Mr. PETERS: If you pursue this other matter, you may be able to arrive at a solution which we will not be able to arrive at if we question all the people who have been mentioned. I think it would be fair of you to ask the board whether they are prepared to make some suggestions in this field.

The CHAIRMAN: I think we want to conclude this. It would not be proper to put the board in the position Mr. Peters has suggested. I appreciate the good will of the suggestion, and the attempt to get the information we want; but I do not think it would be in conformity with our duties to ask the board to do that.

Mr. Cardiff is next on my list.

Mr. CARDIFF: When grain is offered to any agent, is there a stated commission allowed to the grain commissioner's agent for selling the grain, or does it vary?

Mr. RIDDEL: When grain is offered by the board it is offered free to any agent. If we are offering grain free in different positions, it is offered to any agent at the board's asking price; there is no commission involved, nor an authorized mark-up.

Mr. CARDIFF: He has to get the commission on his sale?

Mr. RIDDEL: Yes.

Mr. SOUTHAM: Roughly, what would be the mark-up of an agent?

Mr. RIDDEL: I could not tell you. It would differ in various movements, depending on the service necessary to get it to the market, and the time involved.

Mr. SOUTHAM: Would it be one-quarter of one per cent or half of one per cent, or what?

Mr. RIDDEL: When being sold in small quantities the commission rate probably would be higher than normal. In the case of large export sales, a company in the export business might be fortunate to get the equivalent of one-quarter of one per cent per bushel on the grain.

Mr. ASSELIN (*Richmond-Wolfe*): Do you find the buyer and then sell it to the agent?

Mr. RIDDEL: No. The agent would find his buyer. I assume you are referring to the domestic market?

Mr. ASSELIN (*Richmond-Wolfe*): Yes.

Mr. RIDDEL: In the case of an export sale, very often we find the buyer. It may be a government agency, in which case the government will sell direct. We would find an agent if we have a buyer who is not related to the government. We will ask the prospective buyer to get in touch with one of our agents.

Mr. ASSELIN (*Richmond-Wolfe*): Who chooses the agents?

Mr. RIDDEL: The buyer is free to choose the agent.

Mr. ASSELIN (*Richmond-Wolfe*): Does this apply also in the domestic market?

Mr. RIDDEL: A buyer in eastern Canada is free to deal through any agent.

Mr. ASSELIN (*Richmond-Wolfe*): Do you accept any person as an agent?



Mr. RIDDEL: No. We have a number of agents who have agreements with the board to handle grain, to move it forward into export position, and to offer grain in the export market; in some cases they deal also in the domestic market. However, we have no specific rule saying they must do so.

Mr. ASSELIN (*Richmond-Wolfe*): How do agents get on this list which you have?

Mr. RIDDEL: They make application. They must be members of the Winnipeg grain exchange in the case of agents in the east, or the Vancouver grain exchange in the case of western agents. They must be financially sound, have the necessary office facilities, and the ability to perform the various services which are required in the forwarding of grain into export position and offering it for sale.

Mr. ASSELIN (*Richmond-Wolfe*): Then any person applying who comes within the regulations which the board sets for them can become an agent in the domestic market?

Mr. RIDDEL: The agent has to be approved by the board.

Mr. ASSELIN (*Richmond-Wolfe*): For the eastern region; for instance in Quebec?

Mr. RIDDEL: Yes. The board considers them as shippers and exporters. We do not differentiate between shipping into the export market or the domestic market. Some agents do both; others confine their business to the export end of it and others stay within the domestic market.

Mr. WATSON (*Assiniboia*): I have a question on the same subject and I am going to use as an example the latest deal which was made with Russia. The wheat board did sell this wheat to Richardson and Sons—I use this name because it is familiar to me—for \$1 and so many cents. Then this company in turn would sell the grain to Russia. Am I right up to this point?

Mr. RIDDEL: He would offer it for sale.

Mr. WATSON (*Assiniboia*): Along with many other companies he would offer it to Russia.

Mr. RIDDEL: Yes.

Mr. WATSON (*Assiniboia*): Can you tell the committee what the difference would be between the price and what it would be sold to Russia for?

Mr. RIDDEL: No; it would depend on what the services required by Russia involved. It might be a straight forwarding of the grain and merely the handling of the documents. On the other hand, they may become responsible for the stocking of the grain on the vessels, and various matters of that nature. In the case of some export sales the agent also may sell it on the basis of c.i.f.; that is, delivery at the buyer's port of entry rather than shipment from the Canadian port which would be f.o.b. which is merely free on board the vessel.

Mr. WATSON (*Assiniboia*): We should be able to get this figure down to the price at which you sold it to the company who in turn sold it to the buyer at the other end. The price will take in all these various things.

Mr. RIDDEL: This is export wheat you are referring to?

Mr. WATSON (*Assiniboia*): Yes.

Mr. RIDDEL: As I said before, it would all depend on whether or not there was competition. If we were making a sale to a government agency, perhaps in the case of any substantial quantity, we would provide it might be sold f.o.b. to them, including agent's commission of not more than, say, one-quarter of a cent per bushel; that, of course, would depend on the quantity. It might have to be 100 tons, or something like that. When I was referring to agents, of course this was in connection with wheat. Any member of the grain

exchange can enter into the business of coarse grains, oats, barley, and forward it to any market he wishes. We do not have agents for the handling of coarse grains.

Mr. LANGLOIS: But you do have to be a member of the grain exchange first.

The CHAIRMAN: Pardon me; Mr. Vincent is next.

Mr. VINCENT: In the light of what you just said, Mr. Riddel, would this mean that farmers, feed mills and co-operatives could form an agency and buy directly from the wheat board?

Mr. RIDDEL: They could buy warehouse receipts directly from the wheat board.

Mr. VINCENT: Suppose in eastern Canada we have an agency which would be formed by farmers, feed mills and co-operatives, and this agency might need, say, 50 million bushels of wheat in November, would they be able to buy directly from the board?

Mr. RIDDEL: Not unless they became an agent of the board.

Mr. VINCENT: It would be possible for them to become an agent of the board?

Mr. RIDDEL: Yes, provided they comply with the requirements in respect of membership, such as having membership in the Winnipeg grain exchange, the ability to move the grain, the office staff, and so on.

Mr. VINCENT: So it is possible for an agency like that to become an agent of the board?

Mr. RIDDEL: Yes.

Mr. VINCENT: And if they become an agent, they can buy directly from the board?

Mr. RIDDEL: Yes.

Mr. VINCENT: If they buy directly from the board that would mean in November of this year they would get 50 million bushels of, let us say, oats at the price of \$43.68 per ton at Fort William. This is the price I have. This is the price they would pay in November of this year.

Mr. RIDDEL: If that is based on the board's asking price on a particular day, that is the price they would have to pay the board.

Mr. VINCENT: If this agency is an agent now, they would be able to buy that amount of grain there.

My second question is this: is the board in a position to give credit facilities to an agency like that for 50 million bushels of oats and barley?

Mr. RIDDEL: No. the board does not give credit to any buyer, except in the case of China; that is the only credit granted directly by the board.

Mr. ASSELIN (*Richmond-Wolfe*): The credit granted by the board in the case of China was provided by registration with the government.

Mr. RIDDEL: The government agreed to obtain the necessary authority from parliament to repay it in the event of a failure by the Chinese to repay the board.

Mr. McINTOSH: You say China was the only one. How about Poland and Czechoslovakia?

Mr. RIDDEL: The question was, does the board provide credit? The board does not finance any of these credits. The credits are arranged by agents of the board through banks and the repayment of the credit amount is insured through the Export Credits Insurance Corporation by the payment of a premium.

Mr. VINCENT: I would like to continue. I want to put my questions in English and it is a little difficult for me.

Mr. HORNER (*Acadia*): You have the translation system.

Mr. VINCENT (*Interpretation*): This would mean that an agency made up of farmers, millers and co-operatives in eastern Canada, if it became an agent of the wheat board, could buy directly from the Canadian wheat board, 50, 60, or 80 million bushels of oats or barley which they need, say, for eight or ten months. They could buy this quantity in November of each year.

Mr. ROWAN: They would pay the price required if we offered oats and barley in othose quantities at that time.

Mr. VINCENT: This month it is \$43.68 a ton which means \$4.36 something for 200 pounds.

My second question is, if this agency decided to buy 80 million bushels of feed grain in this way from the Canadian wheat board, would the wheat board be entitled to grant credit to such an agency? I believe the answer I received to this was no, that the only credit facilities which the Canadian wheat board could grant was in the case, say, of red China, and in a case such as red China the federal government had to authorize the Canadian wheat board to grant the credit facilities and guarantee payment to the wheat board in the case of loss. If the federal government would ask the Canadian wheat board to extend these credit facilities to this agency made up of farmers, millers, and co-operatives in eastern Canada, and would guarantee the credit, the Canadian wheat board could do so?

Mr. ROWAN: Yes, certainly; if the federal government were to adopt legislation in this respect.

Mr. VINCENT (*Interpretation*): This means, therefore, that at the present time millers, farmers and co-operatives could buy the grain in Fort William and the federal government would pay the transportation costs entirely by water—that is what is done at the present time. Is that it?

Mr. ROWAN: The government does pay such transportation costs.

Mr. VINCENT (*Interpretation*): The transportation cost of \$4.50 per ton, is that right? In other words, the federal government would pay the transportation cost from Fort William to Montreal and Quebec city and the price of oats would still be \$43.68 to the co-operatives, millers and farmers in eastern Canada. With this new legislation which has not yet been implemented, the storage cost of the grain would be met entirely by the federal government in their warehouses in eastern Canada. This price of \$43.68 per hundred ton would be the same from November to April, May or June of each year. To my mind that is the only conceivable solution to ensure price stabilization in eastern Canada.

Mr. ROWAN: You mean they would buy their entire needs from November to June; that they would have to do so?

Mr. VINCENT: At the present time all the grain is in storage in Montreal, Quebec or Prescott. This grain does not belong to the farmers, the co-op, or the feed mill; this grain belongs to agents. The Canadian wheat board may sell the same quantity to an agency formed by farmers, co-ops and feed mills. So, if this organization had 80 million bushels of oats and barley stored in Montreal, Quebec or Prescott in November, with the transportation by water and storage feeds paid by the federal government, this grain would cost, for example, for oats \$43.68 per ton from November until April, May or June. I think this is the nub of the question.

Last year we spoke and are still speaking this year of such an organization; that is, if we had legislation to permit the farmers, the feed mills and the co-operatives to be organized together, we would have an organization in eastern



Canada. It would not be the intention to destroy this board, although we do have a few people who would like to see this board destroyed. I am against it, because the farmers from western Canada were intelligent enough to organize themselves. We think we have to do the same thing in eastern Canada. We could organize together for the grain we need. The farmers from western Canada would get a good price, and we would be able to have the grain in storage, and we would have it at a stabilized price for the winter and spring, and there would not be any more problems. In my opinion this is the only solution.

Mr. ASSELIN (*Richmond-Wolfe*): An eastern agency.

Mr. VINCENT: This would be an eastern agency. My friend is speaking of the bill we had last year in the House of Commons which was exactly this kind of bill. I still am of the opinion this is the only way to handle the problem. We are bringing this up here, because in two or three weeks we want to settle it. I remember the day Mr. Langlois said in the house they were paying \$6 for 100 pounds. I have the November price for oats this year of \$43.68 per ton. Last year in November it was \$44.41 per ton. If we were able to keep these prices for eight months, then in my opinion the only difficulty is that the Canadian wheat board is not permitted to give credit to an organization like this. Credit on 80 million bushels of wheat would mean a lot of money; but if the government would pass legislation to permit the board to do this, and if the government would give the guarantee that they would get the money back, then they would be doing the same thing for the eastern farmers in our country as they did in respect of China.

This is the nub of the problem, and this is the reason I want to place this before the committee. I think you gentlemen can see now that this is the whole problem. I have all the figures. I have been studying this matter for two years. I was in the business myself. I am a farmer; I had 800 to 1,000 hogs. This is the problem, and I went to school on that.

Before I go further, perhaps, Mr. Chairman, I might go back to the first item.

The CHAIRMAN: I think your observations are very interesting, and we might agree with most of them. However, you are asking the wheat board really to comment on something which is outside the scope of its authority.

Mr. VINCENT: We are preparing something to recommend to the house. We have what they said on this. We are not able to ask them to resolve the problems which exist in eastern Canada.

The CHAIRMAN: The wheat board can help you in respect of certain aspects of the problem. However, I think the nub of the situation, as you mentioned, is something which really is outside the jurisdiction of the wheat board.

Mr. VINCENT: But I have something—

The CHAIRMAN: Would you come back to anything which is relevant to the duties of the wheat board, please?

Mr. VINCENT: Yes. I would like you to permit me to read a short statement.

The CHAIRMAN: I do not wish to confine you on anything, but we have the Canadian wheat board here today and there will be other witnesses appearing in the next few weeks. We will have an opportunity for what I might call arguments or representations when we prepare our report. With great respect, I would suggest if you have questions in respect of information you would like to obtain from the Canadian wheat board, now is the time to obtain them. In my opinion, the general argument in respect of the problem of eastern feed grains should be diverted until another time.

Mr. VINCENT: All right, Mr. Chairman.

Mr. HORNER (*Acadia*): Mr. Riddel, when the wheat board lists grain for sale and, as you say, someone purchases or picks up the storage tickets of so many millions of bushels you expect them to move it out of your government elevators.

Mr. RIDDEL: Yes. In the case of export grain it would be sold from export positions, the St. Lawrence ports, the Atlantic ports, the Pacific coast ports or the lakehead, and in between ports where ships ply.

Mr. HORNER (*Acadia*): And you list daily prices and the prices vary, depending where the grain is, because of transportation?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): To follow up Mr. Vincent's statement to some extent, if an eastern agency decides to purchase, say, 50 million bushels of wheat in November, whether it be necessarily the same thing Mr. Vincent is supporting or otherwise, the wheat board would expect them to move that wheat when they purchased or picked up the storage or warehouse tickets, as you call them.

Mr. RIDDEL: Yes. Assuming the sale was made, that there was such an agency of the wheat board, and it had the stocks of the desired type of wheat the contract would provide for the lifting of that wheat from the port—say, it is at the lakehead—at specified times. These times would be specified in the contract.

Mr. HORNER (*Acadia*): In other words, such an agency would either have to have a ready market for the quantity of wheat they are prepared to buy or have storage facilities of their own and, lacking that, space which they could lease.

Mr. RIDDEL: Yes; that is, if you are going to take it all at one time.

Mr. HORNER (*Acadia*): But, even if I took one tenth it would still be 5 million bushels.

Mr. RIDDEL: But, if the quantity was spread for delivery over a period where it could be stored, utilized, and replaced, it is possible to do it through existing facilities.

Mr. FORBES: Could this wheat not be purchased for delivery next April at November prices but the buyer would have to pay the storage charges until he accepts delivery?

Mr. RIDDEL: Yes, but we have not been selling to the domestic market ahead in that respect.

In respect of the export market, we will spread delivery over a period. The price in effect at the date of sale, if that is the basis on which the grain is priced, shall apply for delivery at any period throughout the selling period authorized by the board. For example, we have been selling up to the end of the crop year, and any grain purchased for delivery today or in April, or in May, within the same port, bears the same price; there are no carrying charges added by the board in so far as future deliveries are concerned.

Mr. HORNER (*Acadia*): To revert to the question of these agencies and the fear of blackmail, as was suggested by Mr. Langlois, to some extent it is this fear in eastern Canada which Mr. Hamilton was trying to do away with when he suggested that the pool in western Canada become a selling agency also instead of just a buying agency.

Mr. RIDDEL: Yes, I do remember something about his recommendations.

Mr. HORNER (*Acadia*): This was along that same line?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): In such a case as the Russia wheat sale does the export credit insurance corporation pay the money?

Mr. RIDDEL: No, they do not. You could leave out Russia, as it was a cash sale.

Mr. HORNER (*Acadia*): Well then, take for example, Poland or Czechoslovakia.

Mr. RIDDEL: In the case of a sale like that the Export Credit Insurance Association or Company merely endorses the credit; it does not put up any money except in case of a loss, and then the Export Credit Insurance would pay that loss.

Mr. HORNER (*Acadia*): Who puts up the money?

Mr. RIDDEL: The agent who sells the grain to Poland would arrange the financing of the credit through either a Canadian or United States bank, or other financial institutions, or it might be the agents own reserves.

Mr. HORNER (*Acadia*): And it would be logical, I suppose, to assume the agent would charge for this?

Mr. RIDDEL: Yes. The agent would charge the rate of interest to compensate him for what he is paying out or, if it is for the use of his own money, sufficient to compensate him, plus the premium charged by export credit insurance, which is one half of one per cent of the value.

Mr. HORNER (*Acadia*): And all they do is insure it?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): In respect of the China sale, which was different, did the wheat board put up the money on a government guarantee?

Mr. RIDDEL: We received cash in the equivalent of 25 per cent of the sale at the time of delivery of the grain into the Chinese vessels; the other 75 per cent would be paid to us through a bank in London one year from the date of delivery of the wheat. In the meantime, if we need money, we have to use the banks.

Mr. HORNER (*Acadia*): But the agents play no part in this other than that; did they insure the shipping?

Mr. RIDDEL: No; there was no insurance.

Mr. HORNER (*Acadia*): Did the agents play any part in the Chinese sale?

Mr. RIDDEL: Yes, they played a part. They did not have to finance it. We accepted from them a sterling draft payable in London one year from date of delivery.

Mr. HORNER (*Acadia*): What part did they play?

Mr. RIDDEL: The same part as in any other sale. There was a master agreement with the board covering the price the wheat would be made available to our agents and they would do any service required such as the trimming and stowing of the wheat in the vessels.

Mr. HORNER (*Acadia*): You mean, the loading of it?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): Would the agent, in that case, insure it?

Mr. RIDDEL: No.

Mr. HORNER (*Acadia*): Who insures the shipment?

Mr. RIDDEL: Against what?

Mr. HORNER (*Acadia*): Against collision or going down to the bottom of the ocean.

Mr. RIDDEL: The buyer is responsible for the grain from the time it leaves the end of the spout going into the vessel, and whether or not the buyer insures the grain would be in his own hands.



Mr. HORNER (*Acadia*): In connection with the China deal what would be the agent's fee?

Mr. RIDDEL: I do not know what his fee would be as I have no knowledge of that.

Mr. HORNER (*Acadia*): And I understand the second long-term China wheat agreement we have entered into is precisely along the same basis as the first.

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): And what we have been talking about would apply to that agreement?

Mr. RIDDEL: Yes, except for the difference in the credit terms.

Mr. HORNER (*Acadia*): Yes. One was nine months and another one year.

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): Those are the only two wheat agreements in respect of wheat sales, you might say, in which the wheat board has made a direct deal, with the government guaranteeing the loans.

Mr. RIDDEL: Yes.

Mr. McINTOSH: Mr. Chairman, I have several questions to do with the manner in which the board determines their asking price for wheat.

Would you tell the committee how you determine your daily asking prices?

Mr. RIDDEL: Mr. Chairman, we did cover that in a booklet put out by the board some time ago and, if I could, I will read the relevant paragraph:

The board announces its selling prices for the various grades of wheat for shipment from the various export outlets in Canada at the close of the Winnipeg market each day. Unless otherwise stated, or in case of unusual circumstances arising, these prices are good until the opening of the market on the next business day. The prices quoted are the prices at which the board will provide wheat to its agents to fill sales in the domestic and export markets.

In determining its selling prices the board takes into account the many factors that affect international trade in wheat. Some of the more important factors are as follows:

- (1) Competitor's wheat prices. In this regard United States wheat prices and the level of United States export subsidies are of considerable importance. In addition, prices established by Australia, Argentina and other exporters are also watched very closely as they become competitive factors in certain markets.
- (2) Relative qualities of Canadian and other wheat.
- (3) Relative supplies of wheat by types and grades.
- (4) Relative prices from different port areas in Canada. For an orderly flow of wheat from all port areas in Canada prices in store the different ports must be maintained in close relationship to each other to ensure that a balanced movement of wheat will take place within the capacity of the individual ports.
- (5) Variations in ocean freight rates. Where other than overall uniform changes in ocean freight rates take place, the delivered cost of wheat to the foreign buyer can change in relationship to the laid-down cost from other sources of supply. Such changes require to be taken into account.
- (6) Foreign exchange rates, particularly that of the Canadian dollar in its relationship to the United States dollar.

The test of the effectiveness of board pricing of wheat is the volume of commercial sales obtained in relation to total commercial sales made by all exporting countries. In recent years this has been around 40 per cent of the total, the largest share of any individual exporting country.

Mr. McINTOSH: I take it, the inference from that statement is that the asking price daily changes daily. Is that correct?

Mr. RIDDEL: Not every day. It may remain the same for several days on end if there is no change in the foreign exchange position and the board does not feel there is sufficient change in any of these other items I have mentioned.

Mr. McINTOSH: Would you be more specific in respect of the word "several"? To your knowledge, how long has the board's price been inflexible? Does it remain at the same price?

Mr. RIDDEL: Recently it has remained for several days, perhaps a week or two, at the present asking price.

Mr. McINTOSH: Do you mean recently, this past year or several years?

Mr. RIDDEL: I am referring to the past week or two.

Mr. McINTOSH: What were the number of days? Has it been 120 days without changing at any time?

Mr. RIDDEL: I do not think so.

Mr. McINTOSH: Has it been that way for the last five or six years?

Mr. RIDDEL: No; I do not think there has been any time that it has remained static that long, except perhaps back in the early 1950's when the price under the national wheat agreement was at the ceiling price, in which event it remained at the ceiling price, and I think it was there for quite an extensive period.

Mr. McINTOSH: Is there a daily asking price of domestic sales as compared to export sales?

Mr. RIDDEL: No. The board prices at the various ports are the prices for domestic and export. I should say that grain which is moved forward by the board on an agency basis for export into the St. Lawrence ports and so on is not made available to the domestic market; it is purely export. Most of the domestic market grain is brought forward from the St. Lawrence ports as domestic grain.

Mr. McINTOSH: Have there been any instances where the board has lost any sales because of offers below your asking price?

Mr. RIDDEL: Not within recent weeks. As a result of the Russian sale, it has changed largely from a buyer's to a seller's market. The difficulty now is being able to offer sufficient grain to meet the requirements of all buyers.

Mr. NASSERDEN: In respect of this domestic grain matter which Mr. Horner brought up, is there any grain in domestic positions in eastern terminals now in the hands of the board?

Mr. RIDDEL: No. The board itself does not move any grain into the domestic market. There may be a small quantity of wheat moved down on a provisional price basis which has not finally been sold by the board to the agent who moved it forward; apart from that there is no domestic grain held by the board in eastern Canada.

Mr. McINTOSH: Mr. Chairman, I have a supplementary question.

Mr. NASSERDEN: To follow up my line of questioning, what is held in the eastern terminals today for the domestic market is owned by agents of the board.

Mr. RIDDEL: Yes, or others to whom they may have sold it.

Mr. McINTOSH: In the Canada grain trade year book there is a table which spreads over the past number of years showing the cost of administration for handling a bushel of grain, and this has increased from 4. something up to 16. something per bushel. Is that figure going to gradually increase each year?

Mr. RIDDEL: I do not know how these costs are arrived at.

Mr. McINTOSH: Have you any idea what part of your asking price the cost of handling is?

Mr. RIDDEL: In the case of handling grain through country elevators the board enters into an agreement each year with the elevator companies, and this particular year the rate of the handling charge permitted and which they charged the farmer at time of delivery, which is deducted from the price at time of delivery, is  $4\frac{1}{2}$  cents a bushel, a half cent less than the charge last year.

Mr. McINTOSH: As you sell more grain will that cost not come down?

Mr. RIDDEL: Well, that is merely the handling cost through the country elevator, which is paid by the farmer.

If you are referring to the board's cost of operations, that would fluctuate and change in accordance with the volume handled.

The board operating expenses have been given in these reports from time to time, and the administration and general expense of the board for the crop year 1961-62 amounted to .6844 cents per bushel on producer marketings of 298,937,898. The handlings were much smaller in the 1961-62 crops than in previous years and smaller than they were in 1962-63, and will be this year. I am assuming the cost this year, with a larger handling, will show a reduction from that figure. But, this .6844 is slightly more than five eighths cents per bushel.

Mr. McINTOSH: Does the producer pay 100 per cent of the administrative costs?

Mr. RIDDEL: Yes, this is the administrative cost charged against the proceeds of the sale and deducted from the proceeds before final disposition is made to the producer.

Mr. McINTOSH: Then the entire cost of operating the Canadian wheat board is borne by the producer?

Mr. RIDDEL: Yes.

Mr. ETHIER: With the experience you have had in the wheat board and because of the great asset it has been to the western farmers do you think it would be a good thing to form a similar board in eastern Canada in order that the eastern farmers would be well supplied? Also, if a board was formed in eastern Canada could they buy from the Canadian wheat board at a fixed price under a six months contract? I have been told that many of our sales made overseas were at a fixed price on six months delivery or something like that and I was wondering if a board was formed in eastern Canada would they be given the same privilege?

Mr. RIDDEL: If a board was formed I presume arrangements could be made to sell at a fixed price, the same as we do for export.

Mr. ETHIER: I do not think this was made clear to Mr. Vincent a while ago. If a board like that was formed, of course, if they ordered 100 million bushels of feed grain from your board they would have to accept it at the price they bargained for.

Mr. RIDDEL: Yes.

Mr. ETHIER: And if the price goes down in six months they will be the loser?

Mr. RIDDEL: Yes.



Mr. ETHIER: The only thing I wanted to know was this: if a board was formed a fixed price could be obtained through bargaining?

Mr. RIDDEL: Assume the board was formed and assume it entered into an arrangement with our board to purchase a given quantity at a fixed price, it would enter into a contract which would be binding on both parties, and if the price went down it would result in a loss to the eastern board; if it went up it would be a poor sale in the case of the western board.

Mr. VINCENT: In your opinion when is the best time to buy? You are a salesman.

Mr. RIDDEL: I am sorry, Mr. Chairman, but I do not have a crystal ball. I do not know the price from one day to another.

Mr. FORBES: My question is prompted by No. 4 on page 14 of the supplement where you mention that the price of wheat is 11 cents per bushel higher since September of this year. Is it not a fact that the price of wheat was reduced to enable you to make a sale some time during August and September? Was it reduced by five cents and this price increased by over six cents a bushel over that of a year ago?

Mr. KRISTJANSON: The prices for a year ago also are in this table. If you go back to 1961-62, in August it was \$1.67 for No. 5 wheat. This is on page 13. By the close of that crop year it was up to \$1.85, and there is an average of \$1.87 for that crop year. In 1962-63, it stayed at that level up until April and May. As you say, there was a reduction between July and August, and things came up again in October—September and October.

Mr. FORBES: So, the price is about 6 cents above.

Mr. ROXBURGH: Mr. Riddel, I am late in coming here and perhaps this may have been answered. It has been drawn to my attention by Mr. Pennell that in the county east of mine the farmers in that area have asked why they cannot buy direct from the elevators at Port Colborne. Why can they not buy direct from the elevator itself at Port Colborne?

Mr. RIDDEL: I presume the operators of the elevator at Port Colborne do not buy grain for resale.

Mr. ROXBURGH: Are they not government elevators there?

Mr. RIDDEL: Port Colborne is a government elevator.

Mr. ROXBURGH: Is it just for redistribution?

Mr. RIDDEL: Just for the handling of grain on a transfer basis.

Mr. ROXBURGH: That is, shall we say, transferring to other larger feed firms within that area.

Mr. RIDDEL: Or for unloading perhaps from a large vessel and transferring to a smaller one.

Mr. ROXBURGH: But would they also be selling to large feed firms or distributors within that area itself?

Mr. RIDDEL: The grain in that case would belong to some company that brought it down for sale in the domestic market.

Mr. ROXBURGH: Some company brought it down and put it in the elevator there.

Mr. RIDDEL: Yes; merely stored it there for resale.

Mr. ROXBURGH: The farmer gets the idea that the government owns the elevator and that they refuse to sell him the wheat which is brought down there. I see now that it is bought by a distributing firm, put there and they handle it in their own way.

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): I presume if the agents store grain in government elevators they pay storage on it?

Mr. RIDDEL: Are you speaking of domestic wheat or export wheat? As I stated, export wheat is moved into forward positions from the lakehead. If it is agency wheat belonging to the board, the costs of storing are paid by the board. In the case of domestic wheat, bought by an agent for moving forward, the agent would have to add the costs, except for any refund obtained under this new government plan whereby storage is paid by the government on grain stored in eastern facilities from the first of October up until April 15.

Mr. HORNER (*Acadia*): How much feed grain does the board sell on what we might call roughly the eastern domestic market?

Mr. KRISTJANSON: In 1963, 10,798,000 bushels of wheat, 28,116,000 bushels of oats and 23,543,000 bushels of barley.

An hon. MEMBER: How much corn?

Mr. RIDDEL: I should add to that, that in respect of oats and barley sold by the board at the lakehead to shippers and others we do not know whether it is going into the domestic or the export market. We have relinquished control over it at that time.

Mr. HORNER (*Acadia*): You have no idea what the percentage of feed grain used in eastern Canada would be?

Mr. KRISTJANSON: Yes, I think so. The total consumption of feed grain in eastern Canada in 1960-61 was 315 million bushels, and 78 million bushels were produced in western Canada. So, it would be perhaps 25 per cent.

Mr. HORNER (*Acadia*): About 25 per cent is western grown?

Mr. KRISTJANSON: Yes.

Mr. HORNER (*Acadia*): Mr. Riddel, in respect of the feed grains for domestic consumption, does the provisional price prevail?

Mr. RIDDEL: Yes, on wheat, oats and barley. We had provisional pricing on wheat before the end of the crop year, and on oats and barley some time before the beginning, except this year it was not in long enough to be really effective because prices started to increase soon afterwards as a result of the Russian sale, and the people who moved the grain down to domestic position here realized, of course, that it was better to buy the grain at the prices in effect at the time rather than take it down on a provisional basis and pay the price later on when it looked as if it would be higher.

Mr. HORNER (*Acadia*): Could you explain just a little more fully to the committee just what exactly is meant by provisional pricing; that is purchasing at a forward price?

Mr. RIDDEL: I can get one of the sales people to explain it to you.

Mr. COCKBURN: In the case of the provisional sales on oats the agent or shipper pays us on the initial price 55 cents per bushel. He then ships that down into the eastern position and he is privileged to price that at our asking price any day until the middle of next April. Whatever the price is on the day that he books final he pays the difference between 55 cents which he paid originally and the actual price of the grain.

Mr. HORNER (*Acadia*): He books it when he takes it?

Mr. COCKBURN: When he books it at the original 55 cents, that is the original price; it is his privilege to price it final at our asking price anyway.

Mr. PETERS: Could I draw your attention to the fact that there is no quorum, Mr. Chairman?

The CHAIRMAN: I had not noticed that but if you want to count I will have to.

Mr. HORNER (*Acadia*): No, no.

The CHAIRMAN: I am sorry, Mr. Cockburn, that I interrupted you.

Mr. HORNER (*Acadia*): I want to make sure I am clear. If I booked oats at 55 cents a bushel in November, for example, to take delivery of them in April, I could pay any price for it between November and April?

Mr. COCKBURN: Provided you do not take it out of the elevator. It has to be priced final before it is taken out of the elevator.

Mr. HORNER (*Acadia*): And if the 55 cents happens to be the lowest price I could go back to that?

Mr. RIDDEL: If the selling price went as low as 55 cents. Keep in mind it must be the price in effect at the time you are finalizing it. You cannot go back and say, "The price was down a week ago, I want to book at that price".

Mr. HORNER (*Acadia*): I cannot go back?

Mr. RIDDEL: No.

Mr. COCKBURN: You have to finalize the price at the market.

Mr. RIDDEL: You cannot go back.

Mr. HORNER (*Acadia*): Suppose I am an eastern buyer and I want to buy oats at the provisional price which has just come into effect. I book it at the 55 cents a bushel in November.

Mr. RIDDEL: That is the provisional price, it is an accounting price.

Mr. HORNER (*Acadia*): I cannot buy at that price in April even if it may be 65 cents in April? I cannot finalize it at my initial booking?

Mr. COCKBURN: You have to finalize it at the market price.

Mr. HORNER (*Acadia*): What is the advantage?

Mr. RIDDEL: Prices are high at the time of buying the bulk of the grain for eastern Canada around September and October prior to the close of navigation, and after the grain is taken down into eastern Canada prices fall off. This is to give the buyer an opportunity to protect himself against any such happening.

Mr. HORNER (*Acadia*): He can book it at 55 cents, and it only helps him if the price goes down?

Mr. RIDDEL: Fifty-five cents, as we pointed out, is merely a provisional or accounting price. The market price of that grain on that particular day might be 80 cents per bushel.

Mr. HORNER (*Acadia*): I just thought that it might work both ways.

Mr. CARDIFF: If he buys that grain on that day, he has to pay the price, no matter when he gets delivery.

Mr. RIDDEL: Yes, the price in effect that day is the price that he finalizes and it cannot extend beyond April 15 in any case. The grain must be purchased on a final basis before it can be moved out of the eastern licensed terminal.

Mr. HORNER (*Acadia*): It would help him for the early bookings.

To get back to the export market, the Russian sale was a cash sale, I think. I think the fixed price was for ten months, or something like this.

Mr. RIDDEL: Up to the end of the crop year, which was ten months. At that time we were selling to many markets goods for delivery at any time, or taken from Canada for shipment at any time until the end of the crop year.

Mr. HORNER (*Acadia*): In this case it was ten months. What has been the past procedure in this regard? How far have you booked ahead in the past? The first China long term wheat agreement was on a six months' basis, I think.



Mr. RIDDEL: Some of the Chinese sales were longer, but they never extended beyond the date up to which we were prepared to sell to anyone else. We usually start, say, in about the month of May. We will start to offer wheat for sale for shipment from Canada during the period August 1 up to December 31. Later on, if we find that we have the supplies and demand takes place, we might extend the date from December 31 up to the end of the crop year, as we have already done during this current crop year. In the case of shipments out of Churchill, we have very often sold wheat immediately following the close of the Churchill navigation season. We have had a demand and have often agreed to sell wheat at that particular time for shipment out of Churchill during the following navigation season, which would be from July to October of next year.

Mr. HORNER (*Acadia*): A period of ten months again?

Mr. RIDDEL: Churchill shipments have been the exception owing to the circumstances.

Mr. HORNER (*Acadia*): Would you say that this ten months' fixed price to Russia would be one of the longest periods?

Mr. RIDDEL: No, we were offering wheat for sale beyond December 31 up to July 31 before the Russian sale. It has nothing to do with the extension up to July 31 and nothing to do with the Russian sale.

Mr. HORNER (*Acadia*): Is this selling at a fixed price, forward pricing to some extent on the export market, standard procedure with the wheat board when we have an increase in the seller's market, a price that looks as if it were increasing in the seller's market?

Mr. RIDDEL: In recent weeks we have not been offering wheat freely. We have been offering wheat to fill the normal requirements in specific markets, that is largely to traditional customers.

Mr. HORNER (*Acadia*): I see the price of No. 5 wheat has gone up 11 cents per bushel since September. What has been the price jump in the higher grades of wheat, Nos. 2 and 3 in particular?

Mr. RIDDEL: They have been about the same.

Mr. HORNER (*Acadia*): Then it would be reasonably fair to say that this extended ten month forward pricing has lost the farmers in western Canada some money perhaps?

Mr. ROXBURGH: What happens when it goes down?

The CHAIRMAN: Could you repeat the question, please?

Mr. HORNER (*Acadia*): If the prices increased from 11 cents from September of this year, then it is reasonably fair to say that owing to this huge sale to Russia within one year, which was extended ten months ahead of the fixed price, the farmers in western Canada lost some money.

Mr. KRISTJANSON: That is one interpretation. However, one reason why the price has gone up by 11 cents is that the Russians did buy this large quantity.

Mr. HORNER (*Acadia*): The Russians have now created a sellers' market. What about the Japanese sale which followed? We sold to them at a fixed price for eight months.

Mr. RIDDEL: Nobody indicated what that price is.

Mr. HORNER (*Acadia*): We all read American newspapers. I can only assume that price was the going price set by the wheat board on the day on which that contract was signed.

Mr. RIDDEL: I do not want to appear to be a hostile witness but I think that we are now dealing with the current year's business rather than the business in this report.

The CHAIRMAN: We are ranging very broadly today. I think probably you have outlined the general principle, Mr. Horner.

Mr. HORNER (*Acadia*): The wheat board has done nothing to alter my fears with regard to this forward pricing of export wheat on the sellers' market. My fear is that this has lost farmers in western Canada a good deal of money.

Mr. KRISTJANSON: I should like to speak to this point. I should like to point out that there are 1,200 million bushels of wheat south of the line. If you compare our price increases with the American price increases, you will find we have gone up by six or seven cents a bushel above their price in recent weeks. We cannot ignore this competitive position with the Americans not only in short term transactions, but also in long term transactions in building up markets.

Mr. HORNER (*Acadia*): But they are handicapped to quite an extent with regard to their shipping policy. We are not. At least we should not allow ourselves to be.

Mr. LANGLOIS: Mr. Chairman, coming back to the business of an agent in eastern Canada, Mr. Horner has asked supplementary questions to mine. I agree with Mr. Vincent's way of solving the problem. In fact, I think it is the only logical way to solve it.

Referring to the fact that the wheat board should sell on a credit basis to this agency, which would be formed and guaranteed by the government, do you also think that this agency should be controlled by the government?

The CHAIRMAN: I am wondering whether this is to the point.

Mr. LANGLOIS: My question is: if this agency sells on credit, does it have to be approved by the government? If this agency were to buy on credit, would that also have to be guaranteed by the government?

Mr. KRISTJANSON: It would have to be approved by the government. We cannot approve any credit transactions.

Mr. VINCENT: This would be government policy.

Mr. LANGLOIS: The farmers' union presented a brief of which Mr. Vincent spoke to you some time ago. I asked the farmers' union a question concerning the passage of by-laws and changing the act so that your powers would be extended to eastern Canada under the control of the government. Could your powers be extended under the present act to eastern Canada to enable you to buy from the western farmers and keep it under your control until it is sold to the buyers there?

Mr. RIDDEL: I think it would be very difficult for us to act both as a buyer and a seller. I think it would put us into a very difficult position. We would have to act for both parties, one the buyer and the other the seller.

Mr. LANGLOIS: Would that put you in a difficult position even in the internal market?

Mr. KRISTJANSON: Particularly so.

Mr. LANGLOIS: You mentioned a while ago that this agency which would be buying from the wheat board would have to be a member of the Winnipeg grain exchange. Is that correct?

Mr. RIDDEL: Yes, in the case of wheat but not in the case of coarse grains. Under the rules of the Winnipeg grain exchange the rate of commission is higher for non-members than for members of the exchange.

Mr. LANGLOIS: So they would have to become a member?

Mr. RIDDEL: They would have to become a member of the Winnipeg grain exchange to obtain lower rates of commission.

Mr. HORNER (*Acadia*): What would be the fee for joining the Winnipeg grain exchange?

Mr. RIDDEL: I do not know what the fee is at the moment. Membership is sold on the basis of current market levels.

Mr. HORNER (*Acadia*): Not that I care.

The CHAIRMAN: The Winnipeg grain exchange people will be here next week.

Mr. PETERS: May I ask a question?

The CHAIRMAN: I am sorry but I have on my list Mr. Nasserden followed by Mr. Forbes.

Mr. FORBES: I should like to ask my question now because it concerns wheat. Mr. Riddel, in view of all the sales that have been entered into during this crop year since July 31, could you prepare for the committee a statement of the contracted sales and the times of delivery of the wheat from July 31 until the present time?

Mr. RIDDEL: I do not have that information with me.

The CHAIRMAN: Could you file this information?

Mr. KRISTJANSON: You mean the long term agreements?

Mr. FORBES: You have entered into a wheat sale agreement with China. Later there was another one with China, one to Poland and one to Czechoslovakia. Could you give us a statement of those sales and the quantity and delivery dates?

Mr. HORNER (*Acadia*): The delivery dates and the time at which you entered into contract?

The CHAIRMAN: Is the committee agreed that this statement will be printed as an appendix? The committee agrees that the statement will be printed as an appendix to the proceedings.

Mr. Nasserden waives his question in favour of Mr. Peters.

Mr. PETERS: One of the things that I have always wondered about is the fact that we have always had a surplus of wheat to which the board has access through the system of maintaining country elevators as well as storage and other sources. We are now fast reaching a stage where we have no long term granary facilities and we may be operating out of the current year's storage. Has the board ever made recommendations to the government on the amount of storage grain they think should be available to them under their control as a reserve to cover disaster years so that there would be a granary supply for domestic uses? Has it also been considered whether the board would be in a position to maintain, under adverse conditions, some of our export markets that we appear to be developing on a fairly long term basis?

Mr. KRISTJANSON: The brief answer is no, the board has not made such a recommendation. With respect to supplies and the big sales that have occurred this year, it is important to clarify the fact that at the end of this current crop year, in spite of all the sales that have been made, we will wind up with about the same amount of wheat next July as we had last July. We are therefore not in any apparent danger right now of running out of wheat supplies. The big sales will come out of this year's crop or equal this year's crop.

Mr. NASSERDEN: Mr. Chairman, a year or two ago the chief commissioner, Mr. McNamara, indicated that they would like to see available something like 300 million bushels as a carryover from year to year. There may have been some odd bushels, but it is around 300 million, if I recall correctly.

Mr. RIDDEL: We had ideas along these lines, but with the surpluses which have existed in recent years, for the past 10 years in fact, it has not been necessary to give consideration or make any recommendation in that regard.



Mr. ROXBURGH: The present carryover was in the neighbourhood of 400 million bushels, and we should finish this year at approximately the same figure.

Mr. PETERS: If there were a crop failure next year in the major portion of the western Canadian wheat producing area, would this be enough to carry the normal export sales?

Mr. RIDDEL: Four hundred million in itself would not be sufficient to meet all the requirements. The domestic requirement is in the neighbourhood of about 150 million. Normal wheat sales, wheat and flour, would be 300 million to 350 million. So, we would need at least 500 million to meet just ordinary normal sales.

Mr. HORNER (*Acadia*): Does the 400 million take into consideration grain stored on farms?

Mr. KRISTJANSON: No. It was actually about 490 million. Then we have the crop of 723 million bushels for this year. With exports of 550 million and domestic of 150 million, it would be 700 million.

Mr. PETERS: What method do you have to establish what is the storage outside of elevators? In other words, how do you assess the farm storage? Is your accounting system broad enough to equitably estimate what is in farm storage?

Mr. RIDDEL: Yes. We have the elevator agents submit a return at the end of the farm year stating what they believe to be the quantity of wheat remaining on the farms at their particular shipping point.

Mr. PETERS: What amount of the storage which you have in elevators is under your control?

Mr. RIDDEL: In store, between four and five hundred million.

Mr. PETERS: In elevators under your control?

Mr. RIDDEL: Visible supplies of wheat at the present time would be 341 million. The total of the five grains, wheat, oats, barley, rye and flaxseed are shown as 474 million bushels in store in licensed facilities and mills as of November 27 throughout Canada. I should include in railway cars or in vessels in transit between ports and shipping points.

Mr. PETERS: Is there any inequality in the storage facilities you have available now, not so much in relation to the producers as the buyers? I am thinking of the competition between Churchill, Prince Rupert, Vancouver and the head of the lakes. Has there been any change in your selling pattern? Obviously there has. Has this produced any inequality in your storage facilities which would make it difficult to meet the requirements of buyers at particular centres?

Mr. RIDDEL: Not to any great extent, largely as a result of the additional facilities which have been built on the St. Lawrence during the past number of years. We do find we can utilize some additional storage facilities at the Pacific coast ports, particularly Vancouver.

Mr. HORNER (*Acadia*): Would you include Alberta in that?

Mr. RIDDEL: No. We feel there are sufficient country elevators and sufficient interior storage.

Mr. HORNER (*Acadia*): You are saying this even with the knowledge that elevator companies, with the line abandonments proposed by the C.N.R., would be faced with a drastic reduction.

Mr. RIDDEL: That might change the picture, if there were very many elevators abandoned.

The CHAIRMAN: I have Mr. McIntosh and Mr. Vincent on my list.

I feel I should make the observation that some members wish to leave. I wonder whether I might have an indication with relation to what is the pleasure of the committee in respect of dealing with the remainder of this brief. I think we are about two-thirds through it.

Mr. McINTOSH: I have some other questions I would like to ask on some other aspects of the report, in respect of the eastern feed situation. When are we going to have that opportunity?

The CHAIRMAN: That opportunity is available to you. As mentioned this morning, it was decided that we would attempt to conclude this brief. Our real term of reference, of course, is to deal with the report of the Canadian wheat board.

Mr. McINTOSH: How long does the board intend to remain here?

The CHAIRMAN: I am wondering whether we should adjourn until tomorrow?

Mr. RIDDEL: We had planned to leave tomorrow night.

Mr. VINCENT: We will have only a few hours to sit tomorrow morning.

The CHAIRMAN: Is it the pleasure of the committee that we sit tonight?

Mr. ASSELIN (*Richmond-Wolfe*): I would so suggest.

Mr. VINCENT: We might sit at eight or at 7.30 p.m.

Mr. GAUTHIER: You might as well make it eight o'clock.

The CHAIRMAN: Is it agreed that we will meet this evening at 7.30?

Some hon. MEMBERS: Eight o'clock.

The CHAIRMAN: We will meet here this evening at eight o'clock. Is that agreed?

Agreed.

The committee adjourned until 8 p.m.

## EVENING SITTING

THURSDAY December 5, 1963.

The CHAIRMAN: Gentlemen, I think we may start now.

We have been considering section 2 of the brief presented by the board, and our discussions this afternoon ranged over into section 3. I have noted on my list the names of Mr. Nasserden, Mr. McIntosh and Mr. Vincent, who have indicated they desired to ask questions, but I understand that they are prepared to move on to section No. 3 and ask their questions in that regard.

Mr. HORNER (*Acadia*): I have one further question to ask in respect of section 2. I will not take long Mr. Chairman.

The CHAIRMAN: Mr. Horner has said he has one question to ask.

Mr. HORNER (*Acadia*): I will get right down to the text of the report.

Mr. MATHESON: Mr. Chairman, while Mr. Horner is looking for his page perhaps we could move on to section 3.

Mr. HORNER (*Acadia*): We are still discussing section 2, and my reference appears at page 9.

The CHAIRMAN: We can only leave section 2 with leave of the committee. If there are any further questions in respect of section 2 I think we should have them asked now quickly so we can move on.

Mr. HORNER (*Acadia*): At page 9, about the middle, Mr. Chairman, appears the following statement:

Since the board makes available to the trade stocks of oats and barley in store Fort William/Port Arthur, it is understandable that bids

in the hands of brokers should be below the board's asking prices in the hope of obtaining supplies at lower prices from holders other than the board.

Keeping in mind that statement can you tell me how agents can price grain below the board's asking price?

Mr. RIDDEL: I think I made it clear, Mr. Chairman, in answer to some previous questions, that oats and barley are sold by the board to the members of the Winnipeg grain exchange rather than to agents. We have no agents for coarse grains, oats or barley, but merely for wheat.

Mr. HORNER (*Acadia*): What is the difference between the grain exchange and an agent?

Mr. RIDDEL: I explained this morning that an agent of the board had to be a member of the Winnipeg grain exchange and had to have the necessary facilities for forwarding grain and for offering grain in either domestic or export markets, or both. A member of the Winnipeg grain exchange who merely has membership on the Winnipeg grain exchange enjoys these privileges. That is, he can go and trade on the Winnipeg grain exchange at the rates of commission applicable to members as compared to non-members, and he has certain other privileges.

In respect of selling oats and barley, the board sells it to the member of the Winnipeg grain exchange. We have no way of finding out whether the grain is purchased by such an individual for resale on the domestic market or export market, or if it is merely speculation on their own part. Very often the grain is purchased by them for speculative purposes and maybe held and resold. They are quite at liberty of course, to resell at less than the board's price if they wish to make the sacrifice or take a loss. Once grain is sold to them by the board the grain is, therefore, their own property and they can do with it what they wish.

Mr. HORNER (*Acadia*): I do not wish to appear as an N.D.P., or a socialist, but I believe in a profit.

Mr. RIDDEL: I think they believe in a profit as well.

Mr. HORNER (*Acadia*): How can an agent of the Winnipeg grain exchange sell below the wheat board's price, that is what I am interested in.

Mr. LANGLOIS: They cannot do it all the time.

Mr. RIDDEL: Whenever fluctuations take place in the prevailing board's price, they can quite conceivably show a profit. However, they may be willing to sacrifice part of the profit in order to find a buyer.

For example, they might have bought oats from the board at 75 cents, and if the market goes up to 80 cents the board will be offering oats for sale at 80 cents. This buyer would be showing a profit on paper of five cents. He may be quite willing to take 4½ cents profit and offer his oats for sale at half a cent below the board's asking price and not necessarily be selling at a loss on his part.

Mr. HORNER (*Acadia*): Thank you Mr. Riddel. I understand your explanation quite well.

Mr. Chairman, please bear with me. Mr. Grégoire and myself are both, to some extent, learning about the grain trade.

The CHAIRMAN: Mr. Grégoire is not here.

Mr. HORNER (*Acadia*): I am sorry, I meant to say Mr. Langlois.

Mr. NASSERDEN: It is the same thing.

Mr. HORNER (*Acadia*): I am referring to an agent of the grain exchange, for example.



Mr. RIDDEL: These people are not acting as agents of the grain exchange at all, they are merely members.

Mr. HORNER (*Acadia*): I am sorry I used the wrong term, but you must remember that these are all technical terms with which we are not familiar and in respect of which we have been confronted only today.

A member of the grain exchange making a purchase from the board at 55 cents per bushel must put up the cash to buy this grain and to take possession of it in order to sell at the increased price, or can he just play the market, which is what farmers believe to be the case?

Mr. FORBES: Is not the answer to this question to be found in the fact that the grain exchange deals only in oats and barley and not in wheat in this regard?

Mr. HORNER (*Acadia*): That is exactly the situation to which I am leading. Please let me complete my questions.

Mr. FORBES: I thought you were making that error.

Mr. HORNER (*Acadia*): No. A good lawyer never asks a question unless he knows the answer.

Mr. NASSERDEN: How do you spell that word "lawyer"?

Mr. HORNER (*Acadia*): You may go ahead and laugh, and that is all right.

The CHAIRMAN: Mr. Horner, will you continue please?

Mr. HORNER (*Acadia*): I have asked the question. Could I, as a member of the grain exchange, buy grain at the board's asking price today, December 5 and sell it one week or ten days from now without putting up any money; without providing any storage and make a profit if the price has increased?

Mr. RIDDEL: If you will refer to the earlier part of the report you will see that we indicate what we are selling is warehouse receipts in respect of grain in storage at various locations, largely at the lakehead. We sell oats and barley at the lakehead terminals. If a member of the Winnipeg grain exchange bought what we call cash grain he would be buying a warehouse receipt from the board. If he wanted to obtain delivery of that warehouse receipt he would have to pay the board the full purchase price for that warehouse receipt.

Mr. HORNER (*Acadia*): Suppose he did not want the delivery of the grain, what would happen then?

Mr. RIDDEL: If he bought the grain for delivery at some later date then, of course, he would not have to take delivery until his contract called for delivery.

Mr. HORNER (*Acadia*): What do you mean by "some later date"?

Mr. COCKBURN: If he bought a quantity of oats for delivery in the first ten days of May, he could call for delivery in the first ten days in the month of May.

Mr. HORNER (*Acadia*): You list the price for each day?

Mr. COCKBURN: Yes.

Mr. HORNER (*Acadia*): Is that listed price subject to contract and negotiation with the member? In other words, if I were a member, do I have to renegotiate the price on the basis of the date of delivery?

Mr. COCKBURN: I do not quite understand what you mean. We would sell the oats on the basis of the prevailing price at the time of negotiating the sale.

Mr. HORNER (*Acadia*): At the time of negotiating the sale the prevailing price would apply?

Mr. COCKBURN: Yes.

Mr. HORNER (*Acadia*): If I tell you I am going to buy the grain do I not have to put up the money?

Mr. COCKBURN: No, you put up the money before you obtain delivery of the warehouse receipt from the board.

Mr. HORNER (*Acadia*): How long before I obtain possession of the warehouse receipt must I put up the money, one hour, two minutes, three minutes?

Mr. COCKBURN: There are certain rules regarding payment of invoices before delivery of warehouse receipts.

Mr. HORNER (*Acadia*): What are those rules with regard to time?

Mr. COCKBURN: The invoice is made up and delivered to your office.

Mr. HORNER (*Acadia*): Joe Kennedy made a lot of money on the stock exchange in this way back in the 1930's.

Mr. COCKBURN: Your cheque would be certified and we would then hand over the warehouse receipt.

Mr. HORNER (*Acadia*): In other words this transaction involves a matter of seconds?

Mr. COCKBURN: That is right.

Mr. HORNER (*Acadia*): All right, I put up the money. Many things operate on credit and this is what I am thinking about. I put up the money seconds before I take delivery of the warehouse receipt, am I correct?

Mr. RIDDEL: Yes, that is true. You put up the money before you obtain possession of the warehouse receipt.

Mr. HORNER (*Acadia*): I put up the money one second before I receive permission to take the grain?

Mr. RIDDEL: You put up the money before you obtain the warehouse receipt which entitles you to delivery of the grain in store at the elevator.

Mr. HORNER (*Acadia*): If I buy the grain on December 5, 1963, and intend to take delivery whenever the price is advantageous, perhaps 10 days or two weeks from that date, I do not have to put up any money during that period of time until the price rises, is that right?

Mr. RIDDEL: In other words, you have a contract at a fixed price up to that point.

Mr. HORNER (*Acadia*): Yes. The contract states the date at which I have to take delivery.

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): I believe that the price is going to go up within 10 days. I am a gambler, believe me. I specify I am going to take delivery of this grain at 55 cents a bushel within 10 days, and I make this deal on December 5. In other words, I am going to take delivery by December 15. In the meantime the price rises, and I can then take delivery by putting up the money and gaining possession of the warehouse receipt. In that event I have bought the wheat at the prevailing price, and if the price rises I can show a profit without actually putting up any money? Can I make money, as a member of the Winnipeg grain exchange, if I am prepared to gamble on my knowledge of whether or not there is going to be a buyer's or seller's market within a certain period of time? If I am reasonably sure there is going to be a seller's market I can make money as a member of the Winnipeg grain exchange without putting up any money or taking any risk as long as I am prepared to specify a date on which I will take delivery, is that right?

Mr. RIDDEL: Anyone who buys any commodity at a lower price than he can sell it for will make money. Anyone who buys oats on December 5 on a market

that is rising and continues to rise would make money if he resold the grain at a higher prevailing level at a later date. However, if that individual bought grain at our prevailing price, perhaps 55 cents a bushel, and then had to pay for the grain to finalize the sale on a rising market he would make no profit up to the time of finalization. The profit would depend on the kind of market that prevailed at that time.

Mr. HORNER (*Acadia*): I do not know whether all members have taken a look at this financial situation or not, but being a member from Alberta, and having had Social Credit thrown at me for a number of years, I have made a deep study. Anyone who has studied the situation will realize that certain individuals made money on the stock exchange during the late 1920's and early 1930's as a result of the fact that the purchases could be made on the stock exchange on credit. I should like to know if the same situation now exists today in respect of the grain exchange, and I should like to know whether I, as a member of the grain exchange, could buy grain today without putting up any money and take delivery in 10 or 20 days.

Mr. COCKBURN: I think you are talking about grain futures.

Mr. HORNER (*Acadia*): I am not interested in what name you attach. Would I be able to buy grain today and take delivery in 10 days without putting up any money or taking any risk, but because there was a seller's market, make a profit?

Mr. FORGIE: If you had good credit you could do that.

Mr. HORNER (*Acadia*): Thank you, Jim. I have good credit.

Mr. FORGIE: You did not say so until now.

The CHAIRMAN: Perhaps I could make an observation at this point. I do not think we want to prolong this consideration indefinitely. I think the answer to your question, Mr. Horner, is probably the following. I do not want to transgress on the rights of the members of this committee to ask questions, but does not the situation under discussion involve the normal method of purchasing on a market? If you take a risk and the market drops you lose, and if the market rises you make a profit? Is that not the answer to your question?

Mr. HORNER (*Acadia*): Mr. Chairman, I am sorry if I am delaying progress of this committee in any way.

The CHAIRMAN: I want you to be satisfied.

Mr. HORNER (*Acadia*): We have been concerned for some time with the domestic price of feed grains, and that is basically what this brief deals with when it refers to the eastern Canadian feed grain situation. I do not accept that definition, because I think we must be concerned with both eastern and western Canadian feed grain situations. I have had some concern about this situation for some time.

Mr. Riddel, if we accept, in this example I am going to propose, that we have a seller's market, in other words there is a steady increase in the price of the product I intend to buy, and I am a member of the Winnipeg grain exchange—I do not know how in heck I got that way—and I want to buy some feed grain on December 5, 1963, and I do not pay any money, but have good credit, can I do so and make a profit?

I do not put up any money or take any great risk, other than the effect upon it which the market may have. We already have accepted the criterion that it is a seller's market.

As I say, I am prepared to take that risk and I stipulate on December 5, I am prepared to take that grain on December 15, ten days later. Can I do that without putting up any money, without taking any risk, and sell it on December 5 at a profit?



Mr. RIDDEL: I think I answered that question before. Taking all these assumptions into consideration you can; you would not obtain delivery of the warehouse receipt but delivery against any sale you make and, I believe, you pay the board the full purchase price of that grain. And, you would be held to your contract to take delivery on December 15.

Mr. HORNER (*Acadia*): Yes, I would be held to my contract to take delivery on December 15, I accept that. But, I would pay the price of December 5.

Mr. RIDDEL: Yes, if you entered into a contract to buy a quantity of oats from the board on December 5 at the prevailing price.

Mr. PETERS: Would he have to put the 15th in there? Does the 15th with ten days have to be specified when he buys?

Mr. RIDDEL: The assumption was, in the first place, it would be sold, for delivery within 10 days.

The CHAIRMAN: Are you clear on that question now, Mr. Horner?

Mr. HORNER (*Acadia*): Yes, but I want to follow it up a little more.

Mr. PETERS: Has the 10 days any effect at all?

Mr. HORNER (*Acadia*): No, I just used it as a pure example.

I think I am clear on that now; I can buy grain on my credit as a member of the grain exchange, on a seller's market, and can make a profit.

Mr. RIDDEL: Within certain limits.

Mr. HORNER (*Acadia*): What are these limits?

Mr. RIDDEL: Quantity and so on.

Mr. HORNER (*Acadia*): Does quantity enter into it?

Mr. RIDDEL: That might be one of them.

Mr. HORNER (*Acadia*): And the quantity would run in proportion to my credit; that is, it would be equalized by my credit?

Mr. RIDDEL: Yes; the mere fact you have a membership in the grain exchange would not necessarily cover any specific quantity.

Mr. HORNER (*Acadia*): In other words, quantity bears a direct relationship to my credit?

Mr. RIDDEL: It might, yes.

Mr. HORNER (*Acadia*): But, other than that grain can be purchased on credit. This is the point I want to get at.

Mr. RIDDEL: Yes, for delivery beyond that date. But, as I stated, in order to obtain delivery of the warehouse receipt full payment would have to be made.

Mr. HORNER (*Acadia*): On the date specified in the contract?

Mr. RIDDEL: Yes.

Mr. HORNER (*Acadia*): Well, this is a bit of a shocking circumstance, because we all know what happened with the stock market—at least I hope we do—in 1929; it was the result of too great a burden being placed on credit purchasing. Could this ever happen with the grain exchange? Is there any limit?

Mr. RIDDEL: You are dealing with two different things. You are asking a question about the Winnipeg grain exchange.

The CHAIRMAN: If I could interject, gentlemen, we are going to have the grain exchange people here and I think it possibly would be better if you went into it at that time.

Mr. HORNER (*Acadia*): I am sorry, Mr. Chairman.

Mr. PETERS: To carry this further; you have 15 people—not quite like Mr. Horner—who are members of the grain exchange; what protection does the board take to see there is not a forced price presented by these people? In

other words, if you lost control of all your supply and sales and it was tied up, you then would lose control of the price. Could you restrict the amount you allowed to go into the future sales?

Mr. RIDDEL: That would be a matter of policy decided by the board.

Mr. PETERS: But do you do this?

Mr. RIDDEL: Yes, the board examines the position from day to day in the light of circumstances and in the light of the market and so on.

Mr. PETERS: What would you do if you knew a substantial number of agents—

Mr. RIDDEL: If I may interrupt, we were talking about coarse grains and, as I stated before, we will sell to any member of the Winnipeg exchange.

Mr. PETERS: But if a number of people co-operated together to get control of the supply, which the board normally has under its control, they would be able to corner the market.

Mr. RIDDEL: Yes, there could be a temporary situation where a group of buyers could obtain control of the stocks in a certain position but it would be temporary because the board would have more grain coming forward to that position if the demand required it.

Mr. KRISTJANSON: It is only sold at the lakehead, and the most that could happen is that they get control of lakehead stocks, but we can replace that grain country elevators.

Mr. PETERS: This is the control then, and it only applies to the movement from the lakehead storage?

Mr. WATSON (*Assiniboia*): Mr. Chairman, my question pertains to the shipping orders which the Canadian wheat board issues to the individual grain companies or elevators. What control can we have over getting cars allocated to elevators in order that the farmers can haul to an elevator of their choice?

Mr. RIDDEL: Well, each elevator company receives its share of orders on the basis of the business which it has originated during the past year and can obtain additional orders under what we call the congested elevator policy if they find the elevator is full of grain and they have no orders.

The board keeps the railway companies informed of the orders issued. It indicates to the railway companies the stations at which the orders are placed by the company and requests them to provide cars, sometimes asking that the cars be placed at the lowest equity point in order to give each point an equal opportunity to have the quotas raised.

The distribution of cars at the individual shipping points among the companies is made on a basis laid down by the board in accordance with what we call the Bracken formula. This is a recommendation which arose from the commission headed by the hon. Mr. Bracken a few years ago. We cannot order the railway company to put cars in; we can merely request them to do so. As I said, we cannot force them to do it because there is no power to do so under the Canadian Wheat Board Act.

Mr. NASSERDEN: Well then; what procedure should we take as a group or an organization in order to rectify this? As you know, this sounds all right on paper but it does not work this way.

Mr. RIDDEL: Usually the railway companies have been quite co-operative in meeting these requests.

Mr. NASSERDEN: But what actually happens, in fact—and, I do not know whether it is the railway that is to blame or some of the elevator companies or the wheat board—is that we will get three cars at each of the elevators, and perhaps one elevator is the one 50 percent of the people want to haul to. So, this elevator is always full, and the other elevator company is getting

cars along with this other one, and they get to the point where they are empty. Then we come up to the end of the crop year and you have to haul your wheat in. You cannot haul it to the elevator of your choice because it is full. This all boils down to not allocating the cars on a proper basis.

As I say, there is something wrong here, and it has been wrong for years. There must be some way we can control it. Who is to blame for all this?

Mr. RIDDEL: I do not think anyone is to blame.

You must bear in mind that most of the private companies have larger storage facilities in reference to the business which they do than, I presume, the ones you are talking about, the pool companies.

Mr. NASSERDEN: Well, it is true the pool handles the largest volume but, owing to the fact the other elevator companies have been getting cars they have a lot of space coming up toward the end of the crop year; you have to haul to them and, in the end, they will get the volume. But, it is because they have space, and you have to haul to them, whether you want to or not.

Mr. RIDDEL: The cars are distributed in accordance with the formula.

The CHAIRMAN: Gentlemen, could we have just one meeting going on at the one time. You are making it very difficult for some of us to hear.

Mr. RIDDEL: The cars are distributed in accordance with the proportion of orders which each of the companies has at the individual points. Say, at point "A" there are three companies and one company's agent has three orders, another one two orders and another, one; if six cars went into that point the elevator with three orders would receive three, the next one two and the third, one. If a lesser number of cars went in than the total outstanding orders, then the cars would be distributed in accordance with the outstanding orders. That is the theory and the basis of the distribution which we have requested the railways companies to follow, and generally speaking, I know they do follow that basis.

Mr. LANGLOIS: Mr. Chairman, I would like to revert to a line of questioning we were on before. As I have already stated, in my opinion, this organization to which we referred could speculate.

I am going to ask a question with relates to Mr. Horner's. He mentioned a period of 10 days. Could you buy it on a three months basis the same way?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: You mentioned this afternoon that your agents bought the grain from the wheat board and before the agents could buy it from the wheat board they had to be a member of the grain exchange.

Mr. RIDDEL: We are talking about wheat, yes.

Mr. LANGLOIS: The agent had to be a member of the grain exchange.

Mr. RIDDEL: Yes. Before he could become an agent of the board he would require to be a member of the Winnipeg grain exchange.

Mr. HORNER (*Acadia*): To deal in wheat?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: Now, you say the agent has to be a member of the grain exchange, first of all, and he can buy it on a three months basis. Now, that agent probably would know by the middle of July the state in which the country would be. I am talking about internal markets now, but the same would apply even in respect of export markets. However, we will stay with internal markets for the time being. As I said, he would know what the situation was in regard to oats and barley in the fall. He would know this because he is a man that runs from one end of the country to the other; he can foresee how much oats or barley would come from western Canada and how



much is going to be needed this year, and so on. For example, Quebec was 45 per cent under production. He could say in the month of October: I reserve so many bushels on which I pay such and such a price. But, it will be scarce in the fall, and he knows it. He is a broker and agent, and a member of the grain exchange, so he is well informed, and he can speculate. He goes all through the summer and has nothing but in the fall he has a reservation for 10 million bushels coming through; he will buy it at the price he reserved it at. That may be worth 10 or 15 cents a bushel more in the fall and he will get that profit, will he not?

Mr. RIDDEL: Not entirely. The oats and barley are sold for delivery in periods far ahead, as you indicated. The price might be different at purchasing from the price prevailing on the day to day basis. The price for delivery was set in the month of April and it might be related to the future prices at the Winnipeg grain exchange. The May future might be higher than the December future on which the price for the month of December would be based. So, other speculators might have foreseen the same thing and might have been buying the May option with the hope it was going to show an increase in price as a result of the situation differing, which they could foresee. And, of course, the price would rise accordingly.

Mr. LANGLOIS: I gave a pretty long range there, 2½ or three months; could he do it in a shorter period of time?

Mr. RIDDEL: Well, generally speaking, purchases, say, in the month of December would be based largely on the December futures; that is, where they are to take delivery in December it would be based on the December futures; purchases for which they were to take delivery in January, up to periods into May, would be based largely on the May futures and beyond May it might be the July futures and, beyond that, October.

Mr. LANGLOIS: But he could do it that way?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: Now, in respect of exports on the world market, is he limited by futures in the same way?

Mr. RIDDEL: The board does not sell oats and barley directly into the export markets to overseas buyers; that is done by the members of the trade who are engaged in the export business of oats and barley. They would buy from the board for delivery on the futures basis.

Mr. LANGLOIS: Here is what I do not understand; I think you said the board would foresee the same thing as the Winnipeg grain exchange.

Mr. RIDDEL: The board might foresee the same thing and might not be too willing to sell on that basis.

Mr. LANGLOIS: But your agents belong to the Winnipeg grain exchange?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: So it is your agents that can foresee?

Mr. RIDDEL: I do not think we need to get our agents mixed up in it because they do not have to be agents of the board to buy oats and barley from the board.

Mr. LANGLOIS: Who foresees for the board that there is going to be a scarcity in the fall?

Mr. RIDDEL: The sales department and other officials would be looking at the situation from time to time.

Mr. LANGLOIS: Are they directly under your jurisdiction?

Mr. RIDDEL: Yes, they would be officials of the board, like Mr. Cockburn and his staff.

Mr. LANGLOIS: But do you agree that the grain exchange and the other agents that you have in the sphere of your activity can foresee the situation possibly by a wider scope than the board could in respect of a market like that?

Mr. RIDDEL: Possibly.

Mr. LANGLOIS: And that would give them a chance to speculate?

Mr. RIDDEL: Yes.

Mr. PIGEON: If I understand it correctly, the Canadian wheat board fixes the price of wheat in the country. You have a floor price. Do you think it would be possible for the Canadian wheat board to have offices in all provinces, particularly in British Columbia and the eastern provinces so that they could act as an agency for the purchase of grain on behalf of the eastern provinces in order to stop this speculation. This would be most beneficial and in the farmers' interest in both the eastern provinces and British Columbia. Do you think, if the Canadian wheat board took this responsibility that would reduce the price of wheat and, indirectly, help the farmers in this country?

The CHAIRMAN: Mr. Pigeon, I think the committee will agree with me when I say we went into this to some extent this afternoon. I think it was brought up by Mr. Langlois. Is your line of question in respect of the establishment of an agency in eastern Canada?

Mr. PIGEON: No, no. The question I intended to ask was this: if the Canadian wheat board took the whole responsibility and had offices in the eastern provinces and British Columbia do you not think that would stop the speculation and, indirectly, abolish the grain exchange market because, in my view, I think it is there we have speculation.

I think it is an important question.

The CHAIRMAN: I think it is a proper question, but what you are really asking for is a personal opinion. Your question to the board is this: if they had officers in eastern Canada and in British Columbia, and if in fact they had sole control of all grains in Canada, would this be a good thing, and bring about better prices to the farmer?

Mr. PIGEON: I am interested in this question because we have experts here and we want to know if it would be possible for this committee to make recommendations to provoke the government to take action.

The CHAIRMAN: I did not disagree with your question. As Chairman I wanted to make sure that the board and I knew what your question was. Did I phrase it correctly?

Mr. PIGEON: I would like to try to find a way to abolish the grain market, if they are indirectly responsible for fixing prices.

Mr. HORNER (*Acadia*): I was going to ask the same thing but in a different way.

The CHAIRMAN: These gentlemen may not be able to express an opinion. Let us leave it with them.

Mr. PIGEON: I have another question.

The CHAIRMAN: Let us get the first one answered.

Mr. PIGEON: In this field what steps do you take? Do you sometimes make recommendations to the Department of Agriculture or to the Department of Trade and Commerce to change the law to permit your body to have more power? I know you understand the problem, and you know what hurts the farmer and so on.

Mr. RIDDEL: If we were asked by the minister to make a recommendation on any subject, we would do so. We do not often make recommendations on our own without being requested to do so. This matter which you have raised would be one of policy. I do not know whether we have the power to do

what you are suggesting or what you are requesting us to do. But even if we did, it would resolve itself down to a matter perhaps not only of board policy, but it might also involve government policy, and I would not care to give a personal opinion on it, because the matter has not been discussed with our board or with the minister concerned.

Mr. PIGEON: I think this committee has the power to decide to ask for your views or your recommendation in the best interests of the Canadian people and the Canadian farmers. Therefore I move, seconded by Mr. Langlois, to ask this committee to give authorization to the Canadian wheat board to make their recommendations in the best interest of the farmers of this country.

Mr. NASSERDEN: On this point, I think this matter was dealt with this afternoon and an answer given to it which was satisfactory to everyone here. They gave us an answer and it is on the record.

Mr. PIGEON: We asked them a question. This witness told us a few minutes ago that if possibly the Canadian wheat board is asked to give recommendations, they are ready to do so. I think it is clear that we could give them authorization because we are a body representing all parties.

The CHAIRMAN: May I say this, Mr. Pigeon and members of the committee: I think you have the answer to your question. The assistant chief commissioner indicated that he did not want to express a personal opinion, and that they had not been asked to consider it as a board. I might say that Mr. Peters raised the question this afternoon of whether or not we might, as a committee, present our problems to the board and ask them for their opinion and direction. We took it as a point of order, and I ruled that it was not the function of the Canadian wheat board to give opinions, and it was not the function of this committee. Our function is to question the wheat board on its report and on this brief which we have before us. I think that if we do that, then it is the responsibility of this committee to make recommendations to the House of Commons when we report. That is what we have been asked to do.

Therefore, with the greatest respect, I have to rule, as I did with respect to Mr. Peters' point of order this afternoon, that this is out of order, and that while we may trust the wheat board, we may not ask them to assist us in the formulation of recommendations for our report.

Mr. PIGEON: On a point of order—

The CHAIRMAN: I have ruled on that point of order. Have you any further questions?

Mr. RAPP: I would like to express my views on this point. The assistant chief commissioner is only one member of the Canadian wheat board, and since it involves a change of policy, I think we are expecting too much from Mr. Riddell to expect him to give a decision or an opinion on it. All we can as maybe is for a motion such as Mr. Pigeon put for consideration by the board. But I do not think it is fair to Mr. Riddell if we should ask him to give an opinion since it involves a change of policy. It is part of the grain exchange, and the wheat board is concerned, it involves a change of policy and I think we have to leave it at that.

Mr. PIGEON: I respect your views, but we did not ask the wheat board to change the policy. We asked only their recommendations. And if it is possible we would make a recommendation to the government and let the government decide. That would not change the statute.

The CHAIRMAN: I have ruled on that point. I ruled this afternoon on Mr. Peter's point of order and again on Mr. Pigeon's motion. I think we should move on now. Have you any further questions?

Mr. PIGEON: I am stuck in my work.



Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Mr. Chairman, at the risk of being ruled out of order I would like to ask Mr. Riddel if he would be able to answer in the light of his experience with respect to price fixing machinery, as far as grain is concerned? Those of us from the east are all interested in minimizing price fluctuations in feed grain to eastern farmers. All of us are interested. Now, assume for the moment that we should set up an eastern grain agency, a separate identity in the east, and that this agency buys futures in feed grain from the western board, then, in the light of your experience with fixing grain prices in the west, what sort of possible machinery could you envisage for minimizing price fluctuations after you have grain in the east? You have got the grain in the east; you have options on grain futures, and you may even have the grain stored in the east. But once the grain is in the east, in the light of your experience, can you envisage any type of price fixing under our present laws?

The CHAIRMAN: Do I understand your question to be this: is it possible that there could be price fixing under our existing laws, or do you recommend some way to avoid price fixing?

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): That is what I would like to find out. I do not think there is anything under our existing laws; but could you see a way out of this?

Mr. KRISTJANSON: Would this not depend on what proportion was being purchased by the central agency? It seems to me that you would have a situation of negotiated price between the eastern group and the western group and that the function of the futures market would wither away.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): I am prepared to ask the experts. We get the grain in the east at a fixed price for the winter months. I think this could be solved quite easily, but we are then faced with a problem. Once we have the grain in the east, at a fixed price, it still has to be distributed from the elevators to the farmer; and in the light of your western experience, what do you think is the best way to do it? I do not think that there is any problem to get the grain east at a fixed price. I think you will agree with that. But how are we going to get it distributed to the farmers without allowing too much fluctuation?

Mr. RIDDEL: As Dr. Kristjanson said, if you bought a large proportion of grain sufficient to cover a very high percentage of the eastern requirements, no one else is going to bring grain forward into the area to sell in competition. Then you pretty well have control of the price yourselves. And in so far as costs are concerned, under the present arrangement, the storage portion covers the period of October 1 to April 15, and it is paid for by the dominion government, which reduces the cost. You would only have the interest cost over and above that which would have to be added to the price. On that basis, assuming that you are buying a very large proportion of the eastern requirements, then no one else is bringing down grain in competition with you, and you would then have a free field in which to maintain prices at the level desired by you in relation to your purchase price.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Thank you.

Mr. HORNER (*Acadia*): Mr. Riddel, I want to be blunt and to the point. Briefly, does the Winnipeg grain exchange facilitate the Canadian wheat board in the selling of oats and barley, in your opinion?

Mr. RIDDEL: Yes, our board uses the futures market provided by the Winnipeg grain exchange when the board feels that it is in its interest to do so. Part of the oats and barley is sold by the board and sold on the basis of Winnipeg's future, that is, existing Winnipeg futures.

Mr. HORNER (*Acadia*): You are well aware of the fact that the farmers' union generally in western Canada have been advocating for a number of years that oats and barley be taken off the grain exchange absolutely. This could be a direct hindrance to you in promoting sales of our farm products. Am I right or wrong?

Mr. RIDDEL: That would depend again on the circumstances.

Mr. HORNER (*Acadia*): But throughout the year there would be varying times?

Mr. RIDDEL: I think the Winnipeg grain exchange does play a function in the disposal and in the marketing of oats and barley. But I am not here to defend the Winnipeg grain exchange.

Mr. HORNER (*Acadia*): I would like to hear your point of view. I shall be hearing the grain exchange's point of view, and then I will form my own opinion.

Mr. RIDDEL: We use the services of the Winnipeg grain exchange only when we feel that it is in the interest of our producers for us to do so.

Mr. HORNER (*Acadia*): And when you feel that it is not in your own interests, what do you do?

Mr. RIDDEL: We do not sell through the futures market on the Winnipeg grain exchange.

Mr. HORNER (*Acadia*): There is a time then when the wheat board does not sell through the futures market?

Mr. RIDDEL: That is right. If the wheat board feels that it is not to our liking, we may not sell. Tomorrow, if we feel it is satisfactory, we may then sell to the fullest extent possible.

Mr. HORNER (*Acadia*): You say that "if today it is not to your liking". Do you not put out a list price or a quoted price?

Mr. RIDDEL: We put out a quoted price at the close of the market each day which is good until the opening of the market next day in so far as cash grain is concerned. But there are no futures transaction taking place outside the closing hours of the Winnipeg grain exchange. That market opens at present at 9.30 in the morning Winnipeg time and closes at 1.15, and all transactions in futures have to take place within those hours.

Mr. HORNER (*Acadia*): In other words, the example quoted a few minutes ago could only happen within the hours that the grain exchange is operating?

Mr. RIDDEL: No. I said that the transactions on futures, that is, futures transactions can only take place while the grain exchange is in session. Cash grain can be disposed of at any time, outside of those hours or during those hours. Oats and barley may be sold to another buyer after 1.15 of a business day at the price which the board has quoted at the close of the Winnipeg market.

Mr. HORNER (*Acadia*): In order to be quite clear on this I have one further question. In any case the wheat board gives the quoted price or the listed price to the grain exchange every day as to what they are prepared to trade in futures?

Mr. RIDDEL: We post that price in the Winnipeg grain exchange at the close of the market. It is a convenient place to do it because most of the buyers are right there.

Mr. HORNER (*Acadia*): Does it carry through to the following day?

Mr. RIDDEL: No, only to the opening of the market the next day.

Mr. HORNER (*Acadia*): But the grain exchange cannot accept bids when they are closed.

Mr. RIDDEL: They cannot trade in futures outside of the business hours of the exchange.

Mr. HORNER (*Acadia*): On some occasions do you give bids to them at the opening of the market?

Mr. RIDDEL: Our transactions during the opening of the market would bear some relationship to the market prices then being quoted.

Mr. HORNER (*Acadia*): In other words, the board keeps a close watch.

Mr. RIDDEL: Yes, during the session.

Mr. HORNER (*Acadia*): On all futures trading?

Mr. RIDDEL: No, I would not put it that way, but we are watching the futures market.

Mr. HORNER (*Acadia*): You keep a close watch of the supplies listed?

Mr. RIDDEL: Mr. Cockburn and his selling staff in oats and barley would be in the exchange on the floor of the market during the open sessions of the market, and would be paying attention to the quotations that are posted from minute to minute.

Mr. HORNER (*Acadia*): All right. Mr. Cockburn, what price do you accept for a possible futures sale at the opening of the market? Is it the last day's closing?

Mr. COCKBURN: Not necessarily, no. If we feel that the market is too depressed, we do not sell.

Mr. HORNER (*Acadia*): When do you start to sell?

Mr. RIDDEL: We start to sell when somebody wants to buy.

Mr. HORNER (*Acadia*): At the last day's closing, or what?

Mr. RIDDEL: Not necessarily. It could be at the close, or it might be higher, or sometimes lower.

Mr. HORNER (*Acadia*): You use your best intuition and proceed?

Mr. RIDDEL: That is right.

Mr. HORNER (*Acadia*): You check the appearance of the market, but at all times when you sell you make one sale at a time. You do not list or specify any amount for sale today?

Mr. COCKBURN: No.

Mr. HORNER: In other words, at all times throughout the day within grain exchange hours you are prepared to close up, or withdraw from or anything?

Mr. COCKBURN: That is right.

The CHAIRMAN: I wonder if we might reassess our position. I do not want to be unfair to Mr. Nasserden, Mr. McIntosh, or Mr. Vincent, who have questions which could be answered under item (3) if we could move to it.

Mr. Pigeon indicated he had a further question. I wonder if we might move on.

Mr. PIGEON: Each year the countries producing wheat hold a meeting at Geneva when they fix the floor price for wheat in different categories. These figures are published. May we be given these figures?

Mr. RIDDEL: I think that question relates to the prices agreed upon under the international wheat agreement, by the members of the international wheat council. They meet occasionally, usually every three years, and prepare the agreement with each of the different countries who subscribe and adhere to it. And in it they provide for the minimum price below which the members should not sell their grain, and a maximum price above which the members should not sell or buy grain. Any transactions between members take place within the range of the prices, the floor and the ceiling, which has been provided in the agreement.



The current agreement entered into one year ago provides for a floor price of \$1.62½ cents and a ceiling price of \$2.02½ cents, based on No. 1 northern wheat in store, Fort William and at the parity of the Canadian dollar in 1959 which puts it on the same parity as the United States dollar at the present time. So the floor and ceiling prices which I have quoted can be quoted in United States funds rather than present Canadian funds.

Mr. PIGEON: I used the same year to which you referred, 1959. In 1959, in respect of the same category of wheat, what was the average price in Canada?

Mr. KRISTJANSON: We do not have the average ceiling price for the whole year. We can give it to you by month for the year 1962 back to 1959.

Mr. PIGEON: I am interested in the same year because I am using the international average price.

Mr. RIDDEL: Mr. Chairman, for the crop year 1961-62 the average price of No. 1 northern, Fort William, was \$1.89.

The CHAIRMAN: Could we have order gentlemen, please, so we can hear the witness?

Mr. RIDDEL: For the crop year 1961-62, the average price of No. 1 northern in store Fort William was \$1.89 and eight-tenths per bushel and the previous year, 1960-61 the average price was \$1.67½ per bushel. I have not got the figures for 1959.

Mr. KRISTJANSON: I think that figure would be very close to the same because the final realized price in 1958 was \$1.69 and six tenths, and for 1959, it was \$1.59, so the average ceiling price would be \$1.57 for the year to which you have referred.

Mr. PIGEON: Do you think that if the province of Quebec, the maritimes and the province of British Columbia asked the Canadian government for the same privilege of buying wheat as given to the foreign countries they would have a better price.

Mr. KRISTJANSON: The international wheat agreement minimum and maximum is also applicable to domestic wheat, because they are the same as domestic wheat prices.

Mr. SOUTHAM: In view of the international wheat agreement, under which we work and which is readjusted every three years, would this established price have any effect on the forward price, or does it more or less function as a floor price?

Mr. RIDDEL: In respect of the ceiling price, it is still about ten cents under the ceiling price.

Mr. SOUTHAM: That is something I have been wondering about as we have been discussing this situation.

Mr. RIDDEL: I would say that the international wheat agreement range of prices does have a stabilizing effect on the price.

Mr. SOUTHAM: It does not deter or have any effect on keeping the price down?

Mr. RIDDEL: No, I would not say it is keeping the price down at the moment. There is still room to manipulate within that range.

The CHAIRMAN: Gentlemen, could we now move on to section 3?

Mr. HORNER (*Acadia*): Yes, I think we should proceed.

The CHAIRMAN: I will ask Mr. Riddell to read section 3.

Mr. LANGLOIS: I have one supplementary question. According to the answer we received in respect of the internal market for grain, or wheat, it is on the same basis as the export market; is that the answer?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: To whom are you selling at the same price?

Mr. ROWAN: It is the same price when sold to one of our agents.

Mr. PIGEON: I suspect we still have the same difficulty because that is not the price paid by the farmer.

Mr. RIDDEL: Mr. Chairman, item No. 3 on page 10 reads as follows:

### III. The Current Feed Grain Supply Situation in Eastern Canada

As was indicated above, it is the responsibility of The Canadian Wheat Board to assure that adequate supplies are available at the lakehead terminals to meet the needs of the eastern Canadian feed grain market. It is the responsibility of other interests to arrange for the forwarding of this grain to eastern Canadian destinations.

When the recent mammoth sale of wheat was made to Russia earlier this fall some concern was expressed that the board might have taken on export sales commitments of such a magnitude that it would not be able to provide adequate stocks for servicing the eastern Canadian feed grain market. In this connection we would like to make our position very clear. The Canadian wheat board values the eastern Canadian feed grain market very highly and is anticipating this market for western feed grains to expand in the years ahead. In calculating the quantity of wheat that could be sold to Russia, provision was made for the movement of grain for eastern Canadian requirements.

Unfortunately we do not yet have the final statistics on the feed grain in store in eastern Canada as at the close of navigation. However, we do have data on supplies of feed grains at the lakehead and east of the lakehead as at November 20th. The following table is a comparison of the stocks of feed wheat, feed oats and feed barley at the lakehead and east of the lakehead at November 20th, 1963, with November 21st, 1962 and the five-year (1958-62) average stocks on that date:

TABLE I.

Stocks of Low Grade Wheat, Feed Oats and Feed Barley East of the Lakehead and at the Lakehead November 20, 1963, November 21, 1962, and five-year average (1958-62) with Comparisons

|                       | Nov. 20<br>1963 | Nov. 21<br>1962 | 1963<br>Increase<br>or<br>Decrease<br>over 1962 | 1958-62<br>Average | 1963<br>Increase<br>or<br>Decrease<br>over 1958-62<br>Average |
|-----------------------|-----------------|-----------------|---|--------------------|---|
| <i>Wheat</i>          |                 |                 |   |                    |   |
| East of Lakehead..... | 5,650           | 1,990           | 3,660   | 5,027              | 623   |
| Lakehead.....         | 2,897           | 3,553           | ( 656)  | 3,810              | ( 913)  |
|                       | <u>8,547</u>    | <u>5,543</u>    | <u>3,004</u>                                    | <u>8,837</u>       | <u>( 290)</u>   |
| <i>Oats</i>           |                 |                 |   |                    |   |
| East of Lakehead..... | 6,801           | 4,558           | 2,243   | 5,488              | 1,313   |
| Lakehead.....         | 5,496           | 934             | 4,562   | 3,841              | 1,655   |
|                       | <u>12,297</u>   | <u>5,492</u>    | <u>6,805</u>                                    | <u>9,329</u>       | <u>2,968</u>  |
| <i>Barley</i>         |                 |                 |   |                    |   |
| East of Lakehead..... | 7,664           | 4,979           | 2,685   | 5,783              | 1,881   |
| Lakehead.....         | 8,351           | 1,932           | 6,419   | 5,018              | 3,333   |
|                       | <u>16,015</u>   | <u>6,911</u>    | <u>9,104</u>                                    | <u>10,801</u>      | <u>5,214</u>  |
| Grand Total.....      | <u>36,859</u>   | <u>17,946</u>   | <u>18,913</u>                                   | <u>28,967</u>      | <u>7,892</u>  |

Mr. NASSERDEN: Are these figures in thousand bushels?

Mr. RIDDEL: Yes.

Mr. CARDIFF: This shows a decrease rather than an increase.

Mr. RIDDEL: This shows the quantity of low grade wheat east of the lakehead at November 20, 1963, and in respect of wheat it is 5,650,000 bushels.

The CHAIRMAN: The figures are in thousands.

Mr. CARDIFF: Am I right when I suggest this shows a decrease?

Mr. RIDDEL: The next column shows the stocks as at a year ago, that is, east of the lakehead this year there were 5,650,000 bushels, and a year ago there were 1,990,000, so there is an increase in 1963 over 1962 of approximately 3 million bushels.

Mr. SOUTHAM: Would that increase reflect the good crop in Saskatchewan?

Mr. RIDDEL: Yes.

The CHAIRMAN: Shall we conclude the reading of the report, gentlemen?  
Some hon. MEMBERS: Agreed.

Mr. RIDDEL: I continue:

Examination of the above table shows:

- (1) Feed grain supplies at the lakehead and east of the lakehead as at November 20th, 1963, were more than twice what they were a year earlier.
- (2) Feed grain supplies at the lakehead and east of the lakehead as at November 20th, 1963, were 25 per cent larger than the average of the stocks at the same date in the five previous years.
- (3) With the exception of feed wheat stocks at the lakehead, stocks of all feed grains are larger in 1963 than in 1962, and larger than the average of the stocks at the same date in the five previous years.

One limitation of the comparison given above is that some of the stocks in eastern Canada may be destined for export markets. Since these stocks do not belong to the board and are not controlled by it, we cannot determine exactly what percentage of the stocks will be exported. However, we are certain that only a very small part of these supplies will move out of Canada rather than to livestock feeders in eastern Canada.

From the data given above the board is of the opinion that supplies of feed grains will be ample to meet the needs of the eastern Canadian feed grain market this winter.

The CHAIRMAN: Thank you. Gentlemen, Mr. Nasserden, Mr. McIntosh and Mr. Vincent were kind enough to defer their questions on this section until we completed the previous one. If it is agreeable, I am going to ask them in that order to put their questions because this was the order I received their requests before we adjourned for lunch.

Mr. NASSERDEN: Mr. Chairman, am I correct in assuming from what you have said today that grain going into position in the eastern terminals is sold to members of the Winnipeg grain exchange?

Mr. RIDDEL: The members of the Winnipeg grain exchange, in the case of oats and barley; in the case of feeding grades of wheat for movement into the eastern domestic market it is the agent of the wheat board.

Mr. NASSERDEN: In your brief you point out you cannot determine exactly whether these stocks that are now presently there will be used for domestic use or will be carried forward for export.



Mr. RIDDEL: That is in the case of oats and barley.

Mr. NASSERDEN: Would it be reasonable to say these stocks are being held on a speculative basis at the present time?

Mr. RIDDEL: I would not be in a position to answer that without knowing the individual commitments of the various holders, whether or not they have entered into contracts for the re-sale of the oats and barley to others. However, we believe that most of the stocks presently held in eastern Canada—that is, oats and barley—are there for the purpose of supplying the eastern feed market.

Mr. NASSERDEN: What will be the position of that grain which is held? I suppose it is held for domestic use now. Do they apply for storage on that at this time or will that storage be available in the spring of the year? What happens if they take it into the export market instead of using it domestically?

Mr. PHILLIPS: Mr. Chairman, if I might answer that question, the storage on western grain held in eastern position will not be paid until it is delivered to the retail merchant in Canada; in other words, if grain is brought down here and is not under contract to the eastern trade and is subsequently exported they will not receive the subsidy.

Mr. NASSERDEN: It could only be sold to the members of the Winnipeg grain exchange?

Mr. RIDDEL: Yes, the oats and barley. As I said, it is possible to sell warehouse receipts to others, but I think they would find it was almost necessary to engage terminal operators and so on who are members of the Winnipeg grain exchange in order to arrange for the forwarding of that grain to eastern Canada. We merely sell the warehouse receipt.

Mr. HORNER (*Acadia*): Are members of the grain exchange automatically agents?

Mr. RIDDEL: No.

The CHAIRMAN: Mr. Horner, Mr. Nasserden has the floor.

Mr. NASSERDEN: I have only one more question. There is some idea that there are feeding grades of wheat held in eastern divisions by the wheat board.

Mr. RIDDEL: No. The only wheat belonging to the wheat board—that is, feeding grades of wheat—held by the wheat board in eastern positions would be wheat taken down on a provisional price basis on which the price has not been finalized with the board.

Mr. NASSERDEN: There is no wheat in eastern positions?

Mr. RIDDEL: The board does not move wheat to the eastern domestic market beyond the lakehead; they only move export stocks.

Mr. NASSERDEN: Is this export wheat for domestic markets?

Mr. RIDDEL: Not without permission of the board. If that agent takes down wheat for the export market he cannot dispose of it on the domestic market without permission from the board.

Mr. HORNER (*Acadia*): Then the agent has to specify whether it is for export or domestic use?

Mr. RIDDEL: Yes, definitely.

Mr. NASSERDEN: Suppose I am a feeder in eastern Canada, say in Quebec, and want to buy feed, can I go to the agent and make a deal with him, and can I theoretically take delivery of that grain at the eastern terminal?

Mr. RIDDEL: Yes.

Mr. NASSERDEN: The board would give permission?

Mr. RIDDEL: Yes. The agent would be in business for the purpose of supplying feeding wheat to eastern Canada. Under his agency agreement he would have permission to move that grain down and sell it to you in an eastern position.

Mr. NASSERDEN: In the case of these agents who have wheat in position for export in eastern positions do they list a price at which they are willing to sell?

Mr. RIDDEL: I am not quite sure I understood your question. I understood you to say in the case of agents who have export wheat: would they list their price for the eastern market? Was that your question?

Mr. NASSERDEN: Yes.

Mr. RIDDEL: No, they would not list their price for sale in the eastern market; they would list their price for sale for export. Perhaps it would happen to be the same price but they would not be permitted to dispose of that wheat in the eastern market without permission from the board. It is taken down as export wheat.

Mr. NASSERDEN: But, theoretically, their export price at the port could be otherwise? Could there be a price advantage?

Mr. RIDDEL: Yes, in export. For example, we quote daily prices at the lake-head, Fort William, Port Arthur and various intervening points between there and the St. Lawrence. We quote prices for the other St. Lawrence ports and a price for Baie Comeau, and the Atlantic ports. These are separate prices.

Mr. NASSERDEN: So, theoretically, the price that this grain is available at is readily available to anyone who wanted to make an inquiry.

Mr. RIDDEL: Yes. It is public knowledge. Our prices are quoted daily and various companies send out price lists. The prices appear in various newspapers and publications, and it is public knowledge pretty well all over the world where grain is dealt with.

Mr. NASSERDEN: So, anyone in eastern Canada who wanted to know what this grain was going to cost a processor could readily find out?

Mr. RIDDEL: Yes, what the grain itself actually costs in the position.

Mr. McINTOSH: Mr. Chairman, I may have received the answer to my question over the luncheon recess, but I would like to put it again.

The CHAIRMAN: Would you please proceed?

Mr. McINTOSH: I am concerned about the cost, pricewise to the western farmer and, particularly, to the cost of marketing a bushel of grain. In a table provided by the magazine, *Grain Business is your Business*, there are shown some figures. Between the periods 1943-44 up to 1952-53 the cost of marketing a bushel of grain rose from 4.8 to 7.9 cents per bushel, which was quite in line, I believe; but, the next year it jumped from 7.9 cents per bushel to 16.4 cents per bushel, and ever since then it has been going up until, I understand, the cost of marketing a bushel of grain today is something over 20 cents. Have you the actual figures on that? You told me it was in the report you submitted. As I have not looked it up could you tell me the page to which reference is made to this?

Mr. RIDDEL: It is at page four of the supplementary report.

## 5. Other Comments on the 1961-62

### Pool Account—Wheat

Operating costs incurred by the board in the period from August 1, 1961 to February 28, 1963 applicable to the 1961-62 Pool were \$18,903,430, after crediting funds paid to the Board by the government

of Canada under the provisions of the Temporary Wheat Reserves Act. Operating costs consisted of the following:

(a) *Carrying Charges*—\$11,246,774

Total carrying charges incurred by the board, including storage and interest charges on wheat in country and terminal elevators and in mill positions, were \$49,087,027. These carrying charges amounted to 16.4205 cents per bushel on producers' marketings of 298,937,898 bushels. Of the funds received from the government of Canada under the Temporary Wheat Reserves Act, the sum of \$37,840,253 was allocated to the 1961-62 pool account, or the equivalent of 12.6582 cents per bushel on producers' deliveries to the pool. After applying these funds the actual carrying charges paid by the board for producers' account amounted to \$11,246,774, or 3.7622 cents per bushel.

(b) *Net interest, Exchange and Bank Charges, etc.*—\$5,122,740

This item comprises bank interest, exchange and bank charges, and interest paid to or received from other board accounts.

That is .1, less than a cent, or about 1.5 cents per bushel. I continue:

(c) *Additional freight (net)*—\$393,022

This item consists chiefly of additional freight paid on wheat shipped from Saskatchewan stations to the Pacific coast against the Fort William/Port Arthur freight differential and on low-grade wheat shipped from Alberta stations to the Lakehead. The item also includes freight credits on wheat shipped to Churchill.

(d) *Handling, Stop-off and diversion charges*—\$94,041

These charges were incurred in shipping wheat to interior terminals for storage and in diverting wheat for shipment to Churchill.

(e) *Administrative and general expenses*—\$2,046,006

Administrative and general expenses of the board applicable to the 1961-62 pool account were the equivalent of .6844 cent per bushel on producers' marketings of 298,937,898 bushels.

Mr. McINTOSH: You do not have the gross total of this do you?

Mr. RIDDEL: No, it would be between 18½ and 19 cents per bushel.

Mr. McINTOSH: I understand that in the line elevators the proceeds from overages go to the elevator companies. I would like to pursue that further, but it may be that this is not the time. However I am concerned about the purchasers paying interest and handling and storage charges on overages when they do not get any proceeds from the sale of such overages, because it all goes to the elevator companies. Why is that amount not charged back to the elevator companies?

Mr. RIDDEL: You ask why the amount of carrying charges is not charged back?

Mr. McINTOSH: Why is the gross charge not charged to the elevator companies?

Mr. RIDDEL: Any overages resulting in a company's operation are sold to the board. I am speaking about wheat. These are sold to the board on the basis of the board's initial payment price less any carrying charges which are paid, and the board takes over that wheat. For example, the overage may result from operations in the crop year, and the overage may not appear until the end of the crop year, and the amount is then added to the stocks, and you go on paying carrying charges from that date.



Mr. McINTOSH: The overage is not determined until the elevator has a weigh-over, and all companies do not weigh over all their elevators every year.

Mr. RIDDEL: That is right.

Mr. McINTOSH: Let us say in a ten year period, which some of the elevators have had between weigh-overs, there has been a tremendous amount of overage piled up at certain points, which amounts to an awful lot of money so far as the purchaser is concerned. Actually the purchasers should have it, because they not only lose the money from it, but they also have to pay the elevators for storage and handling charges and so on. Why is that policy adopted by your board.

Mr. RIDDEL: I think that is a matter of legal advice and so on. I think some legal technicalities are involved in so far as overages are concerned. Overages are a subject coming under the jurisdiction of the board of grain commissioners.

Mr. McINTOSH: I am not going to ask you to reveal any figures because I do not think it is in the interest of the general public at the present time to know about it. However, in my opinion as a result of the ruling or observation that I read into the record earlier today, I believe we are entitled to have it, unless the minister deems otherwise. However I would like to ask this question: is the amount great in the case of any one particular elevator company with respect to overages?

Mr. RIDDEL: No. I think I heard a member of the board of grain commissioners answer that question, or a similar question at a meeting the other day when he indicated that that was not so, that there were not too great variations between overages of different companies. But I am merely repeating what I understood to be the situation.

Mr. McINTOSH: In the board of grain commissioners report they determine overages by percentage. When it is .25 or less, there is no investigation, but at .50 and over, there is an investigation.

Mr. RIDDEL: Yes.

Mr. McINTOSH: Are your shortages generally described as percentages, or as bushels, or what?

Mr. NASSERDEN: You will find all this on page 10 of the report.

Mr. McINTOSH: Very well, I will leave that point. But a second question arises out of the question Mr. Forbes asked and I think some other member of the committee, in regard to the total amount of futures sales by the Canadian wheat board, and commitments for the next several months. I understand from Mr. Riddel's remarks that at times recently they have not offered any wheat for sale. I was wondering if at that time it was because they were not sure that they had any reserves, or if it was for some other reason? Mr. Riddel told me it was because of the facilities of handling this grain. Maybe Mr. Riddel would like to say a few words about that. What have the railway companies done to assist you? Could you give us any information on how we could assist the wheat board by recommendations from this committee to the government in speeding up facilities?

Mr. RIDDEL: Mr. Chairman, since the large sale was made to Russia recently we have withdrawn offers of wheat; that is, we are not permitting our agents to offer wheat freely in the markets of the world. From time to time, in order to take care of the normal requirements of certain markets which were not previously covered, we have been offering wheat in those markets, and in one or two cases we have allocated wheat for a particular market, or have authorized our agents to offer it to a particular mill with the intention of meeting the normal requirements of all our regular traditional markets.

Up to the present time I think we have all of these markets—certainly all of the larger ones and most of the small markets covered. Those not covered we still have made provisions for in our program; and when we take on any program, such as our present commitments, including sales to Russia, China and all of our large customers, we allow for the requirements of the domestic market as indicated by Dr. Kristjanson earlier today, and our total will come to the neighbourhood of 700 million bushels, which is close to last year's and to this year's production. This will leave us with reserves at the end of the year just slightly greater than the reserves at the commencement of this year excluding the new crop.

There is a demand for wheat beyond our present sales, but we feel that transportation and handling facilities in Canada would be inadequate for us to increase our program by very much more. The railway companies such as the C.N.R. have advised us and have made public a statement, I believe, that they intend to roof over about 1,000 gravel cars, and to put those cars into the grain movement in order to assist us. The C.P.R., I understand, is offering certain stock cars which are not presently in use, and has arranged for those cars to be put into the coal industry for the movement of coal in order to relieve box cars to further assist in the movement of grain. I do not know the exact position of the railway companies, but I believe they could use more cars. They have a very, very big job to do and we are getting wonderful co-operation from them, and I think they are going to carry out the programs that we have in mind without too much difficulty. It would be a big job, but I am sure if it can be done by co-operation we are going to receive it, and that we will succeed in the endeavour. In so far as handling facilities are concerned, there have been some additions to the handling facilities in St. Lawrence ports during the past number of years including the elevator at Baie Comeau, a new elevator in Montreal, and additions to some other elevators. One place where we feel we can use additional grain handling facilities and shipping berths would be Vancouver. At all other ports I think we are fairly well taken care of at the present time, but it would take a year or more in order to provide any material addition to the facilities at Vancouver.

Mr. McINTOSH: Did you say shipping berths?

Mr. RIDDEL: They are berths to permit ocean vessels to get near in order to receive delivery of grain from terminals.

Mr. McINTOSH: Does any other port on the west coast have any.

Mr. RIDDEL: Yes, there are four: New Westminster, on the Fraser river, Victoria and Prince Rupert. Each of these three has one elevator.

Mr. PETERS: Is it your intention to increase the capacity at Prince Rupert?

Mr. RIDDEL: Not at the present time. Perhaps Mr. Rowan, who was formerly our Montreal manager, and prior to that assistant transport controller, and who is fully conversant with all the elevator facilities in eastern Canada back as far as the lakehead, may wish to say something about the facilities we presently have.

Mr. ROWAN: There have been additions in the past few years at Fort William, to the present capacity of the elevators at the lakehead, which is now in the vicinity of 100 million bushels. And since the opening of the seaway there has been an addition to storage at Montreal, to the extent of an additional 7 million of elevator capacity, and in addition to that, the national harbours board has spent somewhere around \$150,000,000, to improve facilities already there, and to expedite the loading and unloading of vessels. The next port is Sorel and they have doubled the size of their elevator from 2½ million to 5 million bushels, and have improved their unloading and loading facilities. This was just completed this week; and at Three Rivers they increased their



capacity to 9 million, while at Quebec the national harbours board have increased their elevator from 4 million to 6 million bushels.

They are now in the process of adding an additional two million bushel capacity to this elevator, bringing it up to a total of 8,500,000 by the end of next summer.

During the past five years there were new facilities put up at Baie Comeau to a capacity of approximately 12,500,000 bushels. All this greatly added to the capacity of the amount of domestic and export grain that could be handled through the St. Lawrence export ports.

Mr. McINTOSH: How much can you hold during winter months?

Mr. ROWAN: They are filled.

Mr. McINTOSH: Yes, but in respect of foreign boats that come into these elevators, how many of them are in a position to service the foreign boats? Would it not be better to have more storage facilities on the far east coast so that they could ship wheat from Canada to other countries during winter months, and I refer to Halifax, Sydney and other ports?

Mr. ROWAN: Presently there is an elevator in Halifax and two in Saint John, one in west Saint John and one in Saint John east-south.

Mr. McINTOSH: What is the total capacity of those elevators?

Mr. ROWAN: The total capacity of the elevator in Halifax is four million bushels, the total capacity in west Saint John is 2,750,000 bushels.

Mr. McINTOSH: That is not very great in comparison to the amount some of these freighters can hold.

Mr. ROWAN: These elevators handle huge export stocks. They have very fast loading and unloading facilities.

Mr. NASSERDEN: Do they handle strictly export stocks.

Mr. ROWAN: That is true in respect of west Saint John.

Mr. NASSERDEN: Is that true of Halifax?

Mr. ROWAN: Since the opening of the seaway there have been some feed and domestic grains received into that elevator.

Mr. PETERS: What is the capacity available for United States storage at Baie Comeau and some of the other St. Lawrence ports?

Mr. ROWAN: At the time of the opening of the seaway this was a question that was discussed in respect of United States grain being shipped for export by St. Lawrence ports. It was ruled at that time that any new facilities that were built after the opening of the seaway could be utilized for storing United States grain up to 40 per cent of the additional space. For example, in an elevator that had been built to handle 10 million bushels, no more than four million bushels of United States grain could be stored there at one time.

Mr. PETERS: What affect has this had on the utilization of United States grain storage space?

Mr. ROWAN: I do not remember any time any elevator being used up to 40 per cent capacity for the storage of United States grain.

Mr. PETERS: Does this same percentage of storage capacity apply to United States corn brought into the domestic field?

Mr. ROWAN: There is no restriction in that regard. The 40 per cent capacity rule is strictly in respect of United States grain coming in for export.

Mr. PETERS: In that event United States, British and foreign corn can compete for storage space in Canadian operated elevators?

Mr. ROWAN: Foreign corn for sale for domestic feed can compete in this way, yes.

Mr. LANGLOIS: Is there any corn stored in Canadian elevators?



Mr. ROWAN: Yes, there is a considerable quantity stored in Canadian elevators.

Mr. NASSERDEN: Is the figure in respect of corn included in the percentage of other grains stored?

Mr. ROWAN: No, this figure covers United States grain to be handled for re-export.

Mr. SOUTHAM: Mr. Chairman, my question relates to the general debate introduced by Mr. McIntosh in respect of facilities for handling grain and is based on the unprecedented demand both in the domestic and foreign markets as a result of the recent sales. I was very happy to hear Mr. Riddel give us this excellent information in regard to quotas. I think he is probably conversant with the recent problem that has been presented in marginal areas of central and eastern Saskatchewan, and possibly western Manitoba. The minister was asked approximately a month ago in the House of Commons about the complaints of some farmers regarding the initial unit quotas of one or two bushels. The hon. minister said he would bring this problem to the attention of the wheat board, and he felt sure that these quotas and disposition of grain would be evened up. What is the report on that situation? Has it pretty well evened out in the last several weeks, to the satisfaction of most of these farmers?

Mr. RIDDEL: I think the situation is improving. We find in Saskatchewan we are building up available space in country elevators which is not being utilized now by the farmers. But, it will be within the next one or two weeks. At least, at the present time we have requested the railway company, in order to provide us with an increased movement during the closing two weeks of the season before navigation closes, to take grain from the most convenient points, with the result that they are concentrating largely on the main line and the nearby branch lines. Of course, after the close of navigation we hope to take the necessary steps in order to raise quotas on the other branch lines. It is our hope by the time we refill the lakehead between now and the opening that we will have equalized the quotas to a considerable extent and that by the end of the crop year we will have taken the necessary steps to bring all quotas to an equal basis, as far as it is possible for us to do so.

Mr. VINCENT: Mr. Chairman, on a point of order, I would like to know if we are discussing now the current feed grain supply situation in eastern Canada or the wheat situation.

The CHAIRMAN: I think you are on sound ground and I apologize to the committee for this. Also, I apologize to you, Mr. Vincent, for keeping you so long. Mr. McIntosh indicated before dinner he had a question, and his question has opened up this point. I know it is unfair to some members but, on the other hand, I think that probably if we can clear up these points as we go along it probably will expedite the work of the committee. If you will bear with me for a minute, Mr. Vincent, I will ask Mr. Southam to be very brief.

Mr. VINCENT: I have been waiting since 8 o'clock to night to put a question.

The CHAIRMAN: I know.

Mr. PETERS: I have a supplementary.

The CHAIRMAN: If I may interrupt, Mr. Peters, this was opened up because of Mr. McIntosh's request. We are dealing with the grain board report.

Mr. SOUTHAM: Would Mr. Riddel care to say what he estimates the quota would be at the end of the next crop year on the basis of the sales and transportation facilities that are available now, together with the storage and so on? Could you venture a guess?

Mr. RIDDEL: No, I do not think that we have made an estimate yet.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Mr. Chairman, I have a supplementary on the question of elevators. Does the board own any elevators in Montreal?

Mr. ROWAN: No.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Does the Canadian government own some of the elevator capacity in Montreal?

Mr. RIDDEL: The national harbours board do.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): How many elevators and what capacity?

Mr. ROWAN: Five elevators with a capacity of 22 million bushels.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Have you any idea what percentage is used for the storage of feed grain?

Mr. ROWAN: As of yesterday, to give you an example, there were 456,000 bushels of export grain and the balance was all for domestic, and when we say domestic, there is the feed grain and requirements for malting plants and distillers, and so on.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): I have one final question. In moving the grain from the west to Montreal it is my understanding that each time a grain ship goes through a lock there is a set charge for each lock.

Now, if a grain elevator were established at Cote St. Catherine on the south shore of Montreal it would save grain shippers having to pass through two locks, at Cote St. Catherine and at St. Lambert, yet the grain stored in that particular elevator would be available for distribution throughout the province of Quebec. Would it make any difference in the price to the farmer if an elevator were established on the south shore at Cote St. Catherine through reducing shipping charges and thereby creating savings, or would it be just a negligible amount?

Mr. ROWAN: I am not sure about the tolls on the seaway. They average slightly under three-quarters of a cent per bushel. By having an elevator at Cote St. Catherine the grain would just have to pass through one lock at St. Lambert.

Mr. PETERS: Has the board machinery or a method to prevent something which happens because of the board's insisting upon the coverage of grain at those points which are close to storage facilities? Some farmers who have supplied some of it, may be paying tax on a third crop year in the same shipping year. Is there any way, because of the board's insistence upon paying the farmers particularly, and having this grain assembled, to divert payment to the farmer so that his income tax does not reflect two full crop years? In some cases could it not be allocated to a prior year? I have had a number of letters about this matter, and I wondered if the board has the facilities to do this? The income tax department is of the opinion that they cannot make a concession because of the five year averaging system.

Mr. RIDDEL: It is not a question which concerns us very much. I do not think there would be. There is no way to keep the identity of grain grown in a different year's crop. Canadian grain has very good keeping qualities, and it would take an expert to determine whether it was grown this year, last year, or say the previous year. When a farmer delivers his grain and receives payment, that payment becomes income in the year in which he receives it.

Mr. PETERS: This may be something to think about if we are not going to establish a larger granary or storage system. I wonder if the board would consider it.

Mr. McINTOSH: They can put it in and pay storage, but not take their payment.

Mr. RIDDEL: Yes, they do not have to sell it.

Mr. NASSERDEN: I have a brief question.

The CHAIRMAN: Would you let me say this: I think I have tried to be as lenient as possible. I know of members who want to pursue this question, but it is now 10.15 p. m. and I do feel we should get on the subject matter of item (3). I spoke to Mr. Vincent before we reconvened after dinner and asked him to be good enough to defer his questions until we got to item (3). I know one question leads to another. I am entirely at the disposal of the committee, but I do suggest with all respect that we close this off and go on.

Mr. NASSERDEN: My question could have been answered in the time you have taken to give me a lecture.

The CHAIRMAN: All right.

Mr. NASSERDEN: I make it that plain when I say that. Jack brought up the subject of overages, which is an important matter. If you take it over a period of years, do the officials of the wheat board think that the overages we have had would justify some revision of the shrinkage allowance presently taken on grain going into country elevators?

Mr. RIDDEL: That would be a question more properly to be answered by the board of grain commissioners. As to the figures shown on the statement, I have no way of knowing what period of operations this covers for the various elevators supporting these overages. It would require someone from the board of grain commissioners to determine the quantity of grain handled to which these overages refer.

Mr. NASSERDEN: The figure here of \$2 million odd has some comparison with the \$298 million that were taken in?

Mr. RIDDEL: No, not necessarily. The \$2,544,000 could represent overages for two years or longer by reason of the fact that at the end of the prior crop year the stocks were such that very few elevators were weighed over. It requires an examination of the returns in order to determine the volume on which this overage originated.

Mr. NASSERDEN: Would it be within your capacity and your duties to make a recommendation to the board of grain commissioners in regard to what you think should be done?

Mr. RIDDEL: I do not know whether it would be proper for us to go into that. It is not really a matter for us; it does not really come under our control.

Mr. VINCENT: I would like to ask a question which is in order and which deals with Part III of the brief we have before us, in regard to current feed grain supplies in eastern Canada. One of the big problems we have in eastern Canada was solved to my mind until a few minutes ago. This applies to the supply situation in eastern Canada. You say at page 12 of the brief, "Unfortunately we do not yet have the final statistics of the feed grain in store in eastern Canada as at the close of navigation." Even though you do not have these exact figures, can you say that the supply of grain, let us say at points such as Prescott, Montreal, Quebec and Halifax, will be sufficient to meet consumption requirements for all the winter months in eastern Canada without importing some from Fort William, for example.

Mr. RIDDEL: What we can say, Mr. Chairman, is that it is our belief there are sufficient available stocks of low grade wheat, feed oats and feed barley, plus the other feed grains such as American corn, in eastern Canada at the present time to take care of the total over-all requirements. Whether these



stocks are in the proper location in order to meet the requirements of each individual district, I am not competent to say.

Mr. VINCENT: By "proper location" do you mean that this grain may be in Fort William?

Mr. RIDDEL: No.

Mr. KRISTJANSON: No, in the east.

Mr. VINCENT: This is a part of your responsibility? Part of your responsibility is to put the grain at the lakehead?

Mr. RIDDEL: Yes, but as you will note in the first line we say "east of the lakehead". That would refer to the various districts and locations east of Fort William, in Quebec, Ontario and the maritimes. The quantities shown in the first lines are for wheat east of the lakehead on November 20, 1963, 5,650,000 bushels; oats, east of the lakehead, 6,801,000 bushels; barley, 7,664,000 bushels. These grains are in position east of the lakehead, which means they are located in elevators or in vessels in the feeding areas of Ontario, Quebec and the maritimes.

Mr. VINCENT: East of the lakehead means eastern Canada. It means that they are stored in eastern Canada. In the first two lines you say you do not have the final statistics on the feed grain in store in eastern Canada as at the close of navigation.

Mr. RIDDEL: We do not have the figures as at the close of navigation for the reason that navigation has not yet closed. It will close within the next two weeks, and after that we will get the final figures.

Mr. VINCENT: So that you may have far more than what you have now?

Mr. RIDDEL: Yes, much of the grain that we now show in the lakehead could be moved down into the eastern positions before the close of navigation.

Mr. KRISTJANSON: For example, I have one week later here, November 27, 1,500,000 bushels of feed grain moved from the lakehead into eastern positions in that week. We know there are heavy shipments of feed grains going on now from the lakehead into eastern Canada. This is why we use the lakehead stocks because much of those stocks will have moved into eastern positions by the time navigation closes.

Mr. VINCENT: The question was this, concerning shorts. I spoke to you about that. Would it be possible just to put that on the record? According to my figures here in one year the price of shorts in November 1962 was \$68.50 a ton. In September 1963 the price was \$49 a ton. There is quite a difference in the price of shorts in the period of one year. Would you be able to give an explanation for that because this question is often asked of us by farmers?

Mr. RIDDEL: Mr. Chairman, shorts are a by-product of the milling industry. I think the prices that you are referring to were given to you by Mr. Phillips. I do not know what the price of shorts is at the moment, or what it has been, but it is quite conceivable that prices of shorts are lower now than they were some months ago by reason of the much heavier flour production which is now being undertaken by the mills in both western and eastern Canada. In other words, there will be a much larger supply of shorts available to satisfy the market than there would be in ordinary times as a result of the larger flour sale to Russia, and no doubt that is affecting the price. Mr. Phillips may have another answer.

Mr. VINCENT: For example, in October of this year the price was \$47.50 per ton, and in November it had gone up to \$52. If it follows the same trend as last year when, in March of 1962 it went up to \$52 a ton and six months

later it was \$68, this year it will also go up. The difference between October and November is \$4.50 per ton. If it goes up again next month, what will happen?

Mr. RIDDEL: I am very sorry, I cannot give you a full explanation because it is a commodity we do not deal in. I believe also that prices of these by-products from the milling industry are influenced to some extent by prices in the United States, and that some of these commodities can be disposed of in the United States. What the influence is between the two, I do not know.

Mr. MCINTOSH: You have no control over shorts at all?

Mr. RIDDEL: No.

Mr. RAPP: My question was partly answered.

Mr. PIGEON: In view of your experience, when Canada sells wheat to foreign countries do you think, directly or indirectly, it affects the price of feed grain in Canada?

Mr. RIDDEL: I would think there is no doubt large volume sales such as have been made this year do affect market prices. Since we are selling in the domestic market at the same price we sell to customers under the international wheat agreement, domestic prices are affected to the same extent.

Mr. PIGEON: They are increased?

Mr. RIDDEL: Naturally, if the demand continues to be very high.

Mr. LANGLOIS: I have a question related to the questioning of Mr. McIntosh, and the answer given. I do not want to be put in the position of accusing anybody; I just want the answer for the sake of information. This is in reference to the wheat sale to Russia and the report which came out that some compartments in the boats had broken glass. Who is to pay for replacing that wheat? Or who incurs the expenses in respect of that? Is it the wheat board?

Mr. RIDDEL: In so far as this matter is concerned, we have had no claims from Russia. We have sold the wheat to Russia. The grading of the grain in the elevators is the responsibility of the board of grain commissioners under the Canada Grain Act. How the glass got in is not known. We do not know whether or not there will be a claim made by Russia.

Mr. LANGLOIS: You sold that to your agencies?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: Actually, they had the last control over it; that is, the last Canadian control.

Mr. RIDDEL: The warehouse receipts were turned over to our agents.

Mr. LANGLOIS: If there are any kickbacks of any kind, they would go to your agents?

Mr. RIDDEL: Not necessarily; they might go to the elevators.

Mr. LANGLOIS: In this specific case, who is going to replace that wheat?

Mr. RIDDEL: I do not know that any replacement is involved.

Mr. LANGLOIS: There is no claim at the present time, but if there was a claim who would be on the paying end?

Mr. RIDDEL: I would not like to say and prejudice any case.

Mr. MCINTOSH: Supposing there was a moisture content, who would be responsible?

Mr. RIDDEL: It would have to be proved that the wheat was not up to the standard at which it was purchased.

Mr. MCINTOSH: If proof was supplied would the board then be responsible?

Mr. RIDDEL: In such a case the board might be responsible, the elevator company might be responsible, or it might be the responsibility of the grain company.

Mr. PETERS: Are you aware of any such claims at the present time?

Mr. RIDDEL: I have no knowledge of any such claims.

Mr. LANGLOIS: Do you anticipate receiving claims in this regard and, if you do, how will you cope with them?

Mr. RIDDEL: This is a matter that would have to be considered when we receive the claims, but up to the present time we have not received any claims.

Mr. LANGLOIS: You are not worried at the moment about such claims?

Mr. RIDDEL: There is no reason for us to worry at the moment.

Mr. PETERS: As a result of the questions asked by Mr. Vincent in relation to the amounts you have in storage, I am still not clear about storage. I understand there is a uniformity of price on the great lakes but a tendency for the price of feed grains to rise during winter months in eastern Canada. It is obvious that part of the price change can be attributed to the length of time the grain remains in the elevators, but is there any uniformity in respect of the grade of grain in elevators? How does the fluctuation in price occur? What is the cause of the fluctuation other than the cost of storage?

Mr. RIDDEL: Are you referring to wheat?

Mr. PETERS: I am referring to grains.

Mr. RIDDEL: Mr. Chairman, in the case of grains the price at the destination would be determined largely on the basis of the purchase price plus the cost of moving the grain to that destination, plus any other expenses or mark-up placed on the grain by the shipper.

Mr. PETERS: There would be a relationship between the grain stored at Prescott and at Baie Comeau?

Mr. RIDDEL: There should be a relationship, yes. In respect of grain purchased at the present time at the lakehead at the same price there would be a relationship depending upon the cost of moving the grain to each individual destination. It would cost more to move the grain to Montreal than to bay ports, for example.

Mr. McINTOSH: The purchaser pays the cost at the lakehead?

Mr. RIDDEL: Yes.

Mr. McINTOSH: The lakehead price would be the same?

Mr. RIDDEL: Yes.

The CHAIRMAN: Before we carry on I should like some direction.

Mr. CARDIFF: Mr. Chairman, I have a point I would like to make through Mr. Riddel to the wheat board, and if I am wrong I should like to be corrected.

I think a change should be made in policy. It is my opinion that any feeder who wants a carload of feed for his own use should be able to buy it from the Winnipeg grain exchange without going through a dealer. Why should a man who wants a carload of feed for his own use not be able to buy a carload of feed without going through a dealer?

Mr. RIDDEL: When you suggest an individual should be able to buy a carload of grain through the Winnipeg grain exchange, I presume you mean from the grain exchange for sale to your dealer in eastern Canada?

Mr. CARDIFF: Yes.

Mr. RIDDEL: That is a matter for the grain exchange to decide.

Mr. CARDIFF: That would be a question for the grain exchange to decide?

Mr. RIDDEL: Yes.

Mr. LANGLOIS: To clarify the situation, is there not a special rate for transportation in respect of a carload in eastern Canada which is not the same rate as from Edmonton to Fort William as a result of the Crowsnest pass rate?



Mr. RIDDEL: The Crowsnest pass rate applies to Fort William and beyond that there is the domestic rate.

The CHAIRMAN: Gentlemen, perhaps I should intervene at this point. We have been sitting for quite a long time today and we are seriously taxing the facilities of Mr. Butt and his reporting staff. I am sure we all thank them for their kindness in attending the three sessions we have had today.

We are still dealing with the third section of this report, and must consider the fourth section in order to complete our discussion of this brief. I should like to ask for some advice from the committee in this regard.

Mr. LANGLOIS: Mr. Chairman, I move that the report be taken as read, and accepted.

Mr. CARDIFF: Mr. Chairman, I should like to move a vote of thanks to the Chairman for his valuable assistance to this meeting.

The CHAIRMAN: I appreciate the assistance I have had from the committee, and I do feel that we have put in a very useful day.

Mr. PETERS: I think the vote of thanks was directed to the chairman of the board.

Mr. CARDIFF: I include our Chairman in this vote of thanks.

The CHAIRMAN: I was assuming something there, because I wanted to keep you all in good humour until I had your concurrence.

Do you agree that we take the rest of the brief as read, and is it the wish of the committee that we adopt the report and the supplementary report of the wheat board which is before us for consideration?

Mr. ASSELIN (*Richmond-Wolfe*): I so move, Mr. Chairman.

Mr. VINCENT: I second the motion.

The CHAIRMAN: Do we all agree to the motion?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Perhaps I could relate Mr. Cardiff's thanks to the gentlemen who are with us, for their kindness.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, I think the board should also be thankful for their successful negotiations of wheat purchases during the past year.

Mr. McINTOSH: I thought this was the result of the efforts of the Minister of Trade and Commerce.

Mr. ASSELIN (*Richmond-Wolfe*): He said it was a result of the efforts of the wheat board.

The CHAIRMAN: Thank you gentlemen.

Mr. RIDDEL: Thank you very much, Mr. Chairman and gentlemen.

APPENDIX (I)

RECENT LONG TERM ARRANGEMENTS INVOLVING SUPPLY AND PURCHASE OF CANADIAN WHEAT

| Country        | Period                     | Quantity in Bushels   | Terms  | Notes   |
|----------------|----------------------------|---|--|---|
| China          | 3 years from Aug. 1, 1963  | wheat 112 million (minimum) to 187 million (maximum)  | 25% cash, balance 18 mos. Credit provisions authorized by Govt. under the Canadian Wheat Board Act.  | First sales contract, under this agreement, completed by the C.W.B. and buyer provides for shipment of 18.7 million bus. of wheat by Jan. 31, 1964.                                   |
| U.S.S.R.       | 3 years from Apr. 18, 1963 | (a) <i>first two years of agreement</i><br>wheat 198 million<br>flour 29.5 million (wheat equivalent)<br>(b) <i>third year agreement</i><br>wheat or flour equivalent 18.7 million.   | 25% cash, balance 6, 12, 18 mos. Credit authorized by Govt. under Section 21 of ECIC to a maximum of \$200 million. To date all purchases by USSR have been on a cash basis and ECIC credit facilities have not been utilized.<br><br>Cash | Firm sales contracts have been concluded by C.W.B. and buyer providing for shipment of the total quantity by July 31, 1964.<br><br>To be sold and shipped in third year of agreement. |
| Bulgaria       | 3 years from Oct. 8, 1963  | A firm quantity of 3.7 million bus. for each of the 3 years of the agreement making a total of 11 million bus. An additional 5.5 million bus. may be purchased during the first agreement or depending upon availability of Can. supplies prior to July 31, 1964. | 10% cash, balance 24, 30, 36 mos. Credit authorized by Govt. under Section 21 of ECIC.   | The first sales contract, under this agreement, completed by the C.W.B. and buyer provides for shipment of 5.5 million bus. of wheat by July 31, 1964.                                |
| Czechoslovakia | 5 years from Oct. 29, 1963 | A firm total of 44 million bus. During the first year of the agreement, 12.8 million bus. will be purchased and shipped and in the remaining 4 years of the agreement quantities can range between 4.4 and 14.7 million bus.                                      | 10% cash, balances 24, 30, 36 mos. Credit authorized by Govt. under Section 21 of ECIC.  | The first sales contract, under this agreement, completed by the C.W.B. and buyer provides for shipment of 4.4 million bus. of wheat by July 31, 1964.                                |
| Poland         | 3 years from Nov. 5, 1963  | A firm quantity of 44 million bus. During the first year of the Agreement, 14.7 million bus. will be purchased and shipped and in the remaining 2 years of the agreement quantities can range from 11 million to 18.4 million bus.                                | 10% cash, balance 24, 30, 36 mos. Credit authorized by Govt. under Section 21 of ECIC.   | 7.3 million bus. are to be shipped before July 31, 1964.  |

Summary

Since Aug. 1, 1963 long term agreements have been concluded involving from 457 to 637.5 million bus. of wheat for shipment during the next three to five years.





HOUSE OF COMMONS

First Session—Twenty-sixth Parliament

1963

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STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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Respecting the Annual Report of the  
DEPARTMENT OF AGRICULTURE (1963)  
with particular reference to matters relating to the  
PRICE OF FEED GRAINS

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TUESDAY, DECEMBER 10, 1963

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WITNESSES:

*From the Canadian Federation of Agriculture:* Mr. J. M. Bentley, President; Mr. David Kirk, Secretary; Mr. L. Hurd, Executive Assistant. *From the Catholic Farmers Union (U.C.C.):* Mr. L. Sorel, President; Mr. Marcel Dubuc, Vice-President and Mr. P. H. Lavoie, *From "The Coopérative Fédérée":* Mr. Roger Perrault and Mr. Paul Blouin.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963

STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                                |                            |                                |
|--------------------------------|----------------------------|--------------------------------|
| Armstrong,                     | Gauthier,                  | Muir ( <i>Lisgar</i> ),        |
| Béchar, d,                     | Gendron,                   | <sup>3</sup> Nasserden,        |
| Beer,                          | Groos,                     | O'Keefe,                       |
| Berger,                        | Hamilton,                  | Olson,                         |
| Bigg,                          | Harkness,                  | Ouellet,                       |
| Cadieu ( <i>Meadow Lake</i> ), | Herridge,                  | Pennell,                       |
| Cardiff,                       | Horner ( <i>Acadia</i> ),  | Peters,                        |
| Choquette,                     | Jorgenson,                 | Pigeon,                        |
| Crossman,                      | Konantz (Mrs.),            | <sup>1</sup> Rapp,             |
| Cyr,                           | Langlois,                  | Ricard,                        |
| Danforth,                      | Laverdière,                | Rochon,                        |
| Dionne,                        | Loney,                     | Roxburgh,                      |
| Drouin,                        | MacLean ( <i>Queens</i> ), | Stefenson,                     |
| Émard,                         | Mather,                    | Southam,                       |
| Enns,                          | Matheson,                  | Tarif,                         |
| Éthier,                        | Matte,                     | Temple,                        |
| <sup>2</sup> Forbes,           | McBain,                    | Vincent,                       |
| Forest,                        | McIntosh,                  | Watson ( <i>Chateauguay-</i>   |
| Forgie,                        | Mullally,                  | <i>Huntingdon-Laprairie</i> ), |
|                                |                            | Watson ( <i>Assiniboia</i> ),  |
|                                |                            | Whelan—60                      |

(Quorum 20)

D. E. Levesque,  
*Clerk of the Committee.*

<sup>1</sup> Replaced by Mr. Alkenbrack

<sup>2</sup> Replaced by Mr. Madill

<sup>3</sup> Replaced by Mr. Doucett

(For the afternoon sitting of December 10, 1963)

ORDER OF REFERENCE

TUESDAY, December 10, 1963.

Ordered,—That the names of Messrs. Alkenbrack, Madill and Doucett be substituted for those of Messrs. Rapp, Forbes and Nasserden respectively on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*





## MINUTES OF PROCEEDINGS

TUESDAY, December 10, 1963.

(8)

The Standing Committee on Agriculture and Colonization met this day at 9:45 o'clock a.m. Mr. Russell C. Honey, presided.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Beer, Cadieu (*Meadow Lake*), Cardiff, Danforth, Dionne, Emard, Enns, Ethier, Forbes, Gauthier, Hamilton, Harkness, Honey, Horner (*Acadia*), Jorgenson, Langlois, Laverdière, Matte, Mullally, Nasserden, Olson, Peters, Pigeon, Rapp, Ricard, Roxburgh, Southam, Vincent, Watson, (*Assiniboia*) and Whelan,—(31).

*In attendance:* From the Canadian Federation of Agriculture: Mr. J. M. Bentley, president, Mr. David Kirk, Secretary and Mr. L. Hurd, Executive Assistant. From the Catholic Farmers Union (U.C.C.): Mr. L. Sorel, President, Mr. Marcel Dubuc, Vice-president and Mr. P. H. Lavoie. From the "Coopérative Fédérée": Mr. Roger Perrault and Mr. Paul Blouin.

The Chairman introduced Mr. Bentley who then introduced his officials.

Mr. Bentley read the brief of the Canadian Federation of Agriculture.

The Catholic Farmers Union (U.C.C.) in conjunction with the "Coopérative Fédérée" also presented a brief.

The Chairman thanked Mr. Bentley and the Committee proceeded to the questioning of the witnesses.

Moved by Mr. Pigeon, seconded by Mr. Vincent,

That the Committee recommend to the Government at the next session that legislative measures be taken with a view;

- 1) To establishing an agency for feed grains;
- 2) To stabilizing the price of feed grains in Eastern Canada and British Columbia.

After discussion, it was agreed that this motion stand until the Committee has heard all the witnesses who signified their intentions to appear before the Committee in regard to feed grains.

Moved by Mr. Langlois, seconded by Mr. Vincent, (for Motion see this day's evidence)

At 12:20 o'clock p.m. the examination of the witnesses continuing, the Committee adjourned until after the Orders of the Day, this day.

## AFTERNOON SITTING

(9)

At 4:00 o'clock p.m. the Committee resumed. The Vice-Chairman, Mr. Patrick Asselin (*Richmond-Wolfe*), presiding.

*Members present:* Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Béchard, Berger, Cadieu (*Meadow Lake*), Cardiff, Danforth, Doucett, Ethier,

Gauthier, Gendron, Harkness, Horner (*Acadia*), Jorgenson, Langlois, Laverdière, Loney, Madill, Matheson, Matte, McBain, Mullally, Muir (*Lisgar*), Ouellet, Pennell, Peters, Pigeon, Southam, Vincent, Watson (*Châteauguay-Huntingdon-Laprairie*), Watson (*Assiniboia*) and Whelan,—(32).

*In attendance:* Mr. David David Kirk, secretary Canadian Federation of Agriculture and Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

The Vice-Chairman read the Report of the Subcommittee meeting of this day.

The Subcommittee of the Standing Committee on Agriculture and Colonization met this day at 12:35 o'clock p.m. The Chairman Mr. Russell C. Honey, presiding.

*Members present:* Messrs. Honey, Olson, Asselin (*Richmond-Wolfe*), Mullally, Hamilton, Peters and Langlois,—(7).

The Subcommittee reviewed the witnesses who are to appear before the Committee prior to December 20th, namely:

December 12th—The Winnipeg Grain Exchange

December 17th—The Association for the Development and the Protection of Eastern Agriculture.

December 19th—The Maritime Cooperative Services.

Mr. Frank Howard, M.P., and the Montreal Corn Exchange have expressed a desire to appear before the Committee.

The Subcommittee was of the opinion that the Committee should also hear other witnesses before it could be in a position to finally Report to the House on the Eastern feed grain question.

It was decided to proceed and hear the witnesses as scheduled and to Report to the House on or before December 20th. The Report will contain a request that the Committee is reconstituted in 1964, the first term of reference from the House should be to proceed with the study of the Eastern feed grain problem and that the House give the Committee leave to consider evidence taken to date when continuing with its hearings on the question in 1964.

Moved by Mr. Ethier, seconded by Mr. Langlois,

*Resolved:* That the Report of the Subcommittee be adopted as read.

The Committee continued the questioning of the witnesses on the briefs presented.

Moved by Mr. Langlois, seconded by Mr. Gauthier,  
(*Translation*)

That the National Association of Flour-Mill Operators and agents thereof from various areas be invited to appear before this Committee.

It was decided to stand this motion and that the Clerk write to their national secretary.

At 6:15 o'clock p.m. the questioning of the witnesses being concluded, the Committee adjourned to December 12, 1963, to hear representations of the Winnipeg Grain Exchange.

D. E. Levesque,  
Clerk of the Committee.



## EVIDENCE

TUESDAY, December 10, 1963.

The CHAIRMAN: Gentlemen, I see we have a quorum. On your behalf I would like to welcome this morning the gentlemen we have with us, and I will first introduce Mr. Bentley to you, the president of the Canadian federation of agriculture. You have the brief from the federation before you which Mr. Bentley will present to the committee. Following it we shall deal with a second brief today from the U.C.C. and the co-operative federée, after we have considered the brief of the C.F.A.

It is my pleasure to introduce to you Mr. Bentley and I shall now ask him in turn to introduce those who accompany him this morning.

Mr. J. M. BENTLEY (*President, Canadian Federation of Agriculture*): Thank you very much, Mr. Chairman and gentlemen. On my right is Mr. David Kirk, executive secretary of the Canadian federation of agriculture. Next to him is the assistant executive secretary, Mr. Lorne Hurd; and then we have Dr. Roger Perreault, an executive member of the Canadian federation of agriculture and Mr. Lionel Sorel, who is first vice president of the Canadian federation of agriculture.

I now present my brief to you which reads as follows: The Canadian federation of agriculture welcomes this opportunity to appear before this committee at this time.

It is our understanding that you are to discuss at this particular meeting "matters relating to the difference between the price received for feed grains by the producer in the prairie provinces of western Canada, and the price paid by livestock feeders in eastern Canada and British Columbia".

This is a fairly involved and complex subject. It is one to which the federation has directed a great deal of attention down through the years, and especially in recent months.

In general the federation holds the conviction that national policy in the feed grain field should be designed so as to encourage the equitable and balanced development of livestock production throughout this country, while at the same time ensuring the utilization of Canadian grain in the Canadian livestock industry. This is of course the purpose of the federal government's feed freight assistance program, as well as certain other policies, about which we will have more to say later.

The Canadian wheat board is, in the scheme of things, charged with the responsibility of marketing wheat, oats and barley grown in the prairie region of western Canada to the best advantage of the grain producers of that region. In this regard the board performs the role of maintaining an orderly marketing system, in which it establishes pricing and selling policy in keeping with the forces of supply and demand at home and abroad. At the same time it serves the need to provide as much price stability as possible by being in a position to carry over stocks and control the movement of grain to market. The federation of agriculture, as is well known, fully supports the wheat board system of marketing western grains. The federation does recognize the principle, however, that the board should at all times give equal treatment to foreign and domestic buyers of western feed grain, in the movement to export, to eastern Canadian and to British Columbia markets.

Certain new feed grain policies have been implemented by the government in recent months. Feed freight assistance has been in existence for many years. There have been suggestions that some revision of feed freight assistance is under consideration. For this reason we welcome this opportunity of placing our proposals and statements on feed grain policy before you at this time. The presentation of these views will constitute our submission to the committee. Our policy covers three separate but complementary phases of the subject.

It should be emphasized that the policies we place before you have the endorsement of our member bodies in all parts of Canada. The Canadian federation of agriculture has a national feed grains committee comprised of representatives of our member bodies in six provinces and the Atlantic region. This committee meets regularly to consider and discuss feed grain problems, and to make recommendations on new policy to the board of the federation. It consults with officials of the Canadian wheat board, the board of grain commissioners, the national harbours board, and various departmental representatives of the federal government. It is by this means that the policies we are about to present have been developed.

### 1. Feed Freight Assistance

Feed freight assistance in Canada is a national policy. It is the strongly held view of the Canadian federation of agriculture that feed freight assistance is a sound and desirable policy that is effective in serving the national interest. The purposes of feed freight assistance are: to encourage the equitable and balanced development of livestock production in Canada; to stabilize grain and livestock prices and markets; to ensure the utilization of Canadian grain in the Canadian livestock industry; and, to guarantee an adequate continuity of supply of protein foodstuffs to the Canadian consumer. Feed freight assistance is an agricultural and not a transportation policy.

The feed freight assistance policy is part of the total picture of national agricultural policy in Canada. It should be assessed in relationship to its place in the total grain and livestock marketing, production and trade policy picture.

The approach to feed freight assistance policy in Canada should be one of looking to its maintenance and improvement. In particular there is need for the removal of inequities that exist in the comparative costs of transportation for feed grain still borne by some farmer consumers, for example, by the British Columbia feeders, and feeders in certain areas of other provinces.

The Canadian federation of agriculture therefore recommends:

1. That the policy of assisting the movement of feed grain to eastern Canadian and British Columbia markets be continued.
2. That feed freight assistance policy be embodied in special legislation, replacing the present policy of implementation through order in council and annual inclusion of expenditures in the Appropriations Bill.
3. That in general the application of freight assistance on feed grain, millfeeds and screenings be continued on the present basis. Some adjustments in the application of the policy are, however, required to provide a greater degree of equity to consumers of feed grains than is at present achieved. To this end the present policy should be modified to provide that in no case shall the balance of cost of transportation to the consumer after payment of the assistance, be greater than \$3.00 per ton. The transportation cost referred to is the total cost of the movement to recognized local destinations.

4. That in principle rates of freight assistance paid should not be greater than the cost of the movement to recognized local destinations.
5. The policy of assisted feed freight should be extended to Ontario wheat and corn moving to provinces east of Ontario. (This assistance should be paid at a rate calculated as follows: The rate of freight assistance on western grain shipped from the lakehead to the destination of the Ontario grain movement; less, the freight assistance on western grain from the lakehead to the point of loading of the Ontario grain movement. The minimum assistance should be \$5.00 per ton.)
6. That payment of feed freight assistance need not be confined to movements by water and/or rail.

It should be noted that the federation's thinking is that revision of feed freight assistance is a matter that needs the most careful study and consultation before it is implemented. Our belief is that our proposal, later in this submission, for a feed grains agency, should first be adopted, and any necessary revision of feed freight assistance wait upon adequate study by that agency.

## 2. Feed Grain Supply and Storage

The Canadian federation of agriculture has considered the question of what new policy should be instituted by the federal government and its agencies in connection with the movement of western feed grains to eastern Canada and British Columbia for domestic use.

Although particular difficulties may arise from time to time which require to be dealt with, the continuing concern of the federation with this movement as it relates to supply and storage focuses on:

- (a) The need to ensure that adequate stocks of feed grains are moved forward by the wheat board to lakehead position for sale to eastern domestic users.
- (b) The need to obtain an adequate movement eastward from the lakehead prior to the close of navigation in the fall. Unless such movement is adequate, prices in eastern Canada following the close of navigation can and do increase unnecessarily, with no benefit to the western farmer and at excessive cost to the eastern user. This increase in price can occur when in the face of inadequate or barely adequate stocks in the winter months a price premium is charged by those holding grain in eastern Canada. The premium represents part or all of the extra cost of moving grain all-rail from the lakehead when navigation is closed.
- (c) The need for procedures to be developed that will ensure the efficient and equitable utilization of terminal storage in eastern Canada for the storage of western feed grain. It is the opinion of the federation that a shortage of actual physical capacity is not in fact a problem in so far as the movement of western feed grains to eastern Canada or British Columbia is concerned—given efficient utilization of available space. This statement does not refer to storage capacity for Ontario grains.

Perhaps at this point some elaboration of the nature of the price and supply problems that have arisen should be given. The questions of price and supply are of course always interrelated. First of all, it has in the past been quite a common occurrence that the futures price for October, prior to the close of



navigation, has shown a premium over the May future. This is an abnormal futures price relationship. The normal relationship is one where the October future is below the May by the amount it costs to store grain between October and May. When the relationship is the other way around it means that the supply position prior to close of navigation is for some reason so tight that the price for winter needs rises above the expected price for the next spring. It has been the view of the federation that this premium position of the fall future reflects a shortage of grain in lakehead position that occurs in spite of basically more ample supply position. It is the federation's view that this is undesirable. We have never questioned the wheat board's responsibility and right to maintain through its policies a basic level of market prices most in the interests of the western grain grower. We do not, however, believe that a price premium over this basic price level should arise before the close of navigation as a result of inadequacy of lakehead supplies prior to the close of navigation.

When such premiums occur the result is to create great caution in purchasing in eastern Canada for winter requirements, because unsold supplies at the opening of navigation would be expected to result in a certain loss as supplies again became available from the lakehead at a lower price. A shortage can then occur over winter in eastern Canada that results in a further price rise on stocks in eastern position.

It was to meet these problems that the federal government introduced in August of this year its new policy of providing payment of accrued storage charges on western feed grain in licensed eastern elevators during the period October 15 to April 15. At the same time this was done, it was announced that the Canadian Wheat Board would institute immediately a provisional pricing system for oats and barley moved from lakehead to eastern elevators. Under this new policy, agents of the board have the alternative of purchasing on a provisional price basis, with the option of settling the final price at the time of re-sale and, in any event, no later than the date of removal of the grain from licensed eastern elevators on April 15, whichever is the earliest.

We believe these policies will go far to correct the problem—in fact may eliminate the chronic problem altogether. Special difficulties of movement and supply will of course always arise from time to time and will have to be dealt with. These new policy provisions are much appreciated.

Referring to the suggestion of the royal commission on transportation that study should be given to whether the money expended by the government on feed freight assistance might not be more effectively applied to “for example, additional storage capacity in the feeding areas or some other form of aid”, the Canadian Federation of Agriculture wishes to emphatically state that the feed freight assistance policy is a sound policy for the utilization of western feed grains in Canada. It is one which should be permanently retained in the national interest. Additional storage capacity in feeding areas would in no way represent a meaningful alternative to feed freight assistance.

### 3. Proposal for the Establishment of an Eastern Feed Grains Agency

The Canadian federation of agriculture has recommended to the federal government the “formation of a special federal agency entrusted with looking to the interest of farmer-consumers of feed grains”.

The federation's official statement of policy on the agency reads as follows:

The need for an agency is this: there should be a means of administration of feed freight assistance and other feed grain policies in the producer interest for which they were designed. There should be a means for continuing and comprehensive attention by an authoritative body, operating in the interests of farmer-consumers of feed grains, to

problems, policies and developments in the feed grain situation. There should be a means by which farmer-consumers of feed grains might have a recognized role to play in advising on and developing policy with respect to feed grains. We conceive the scope of interest of such agency to embrace the supply and movement of western feed grains moving to eastern Canada, and also the supply and movement of Ontario feed grains, particularly wheat and corn.

These requirements would in our opinion be best met by establishing a special federal agency whose declared purpose is to serve the interests of farmer-consumers of feed grains.

This agency should have, advisory to it, and charged with definite and defined responsibilities, a committee composed of persons formally representative of organized farm groups.

The specific functions of such an agency should be:

1. The administration of the feed freight assistance policy.
2. The exercise of adequate powers to require action, when needed, to make eastern public grain storage available for needed supplies of feed grains.
3. To administer the storage subsidy programs for feed grains recommended in this submission.
4. To advise the government on feed grain import permit policy.
5. To generally study and advise on all aspects of feed grain policy. In this connection the agency should study, and advise on, supply and market developments which may create undesirable and short-run distortions and fluctuations in price. It shall not, however, interfere with the exercise by the Canadian wheat board of its responsibility to market western grain in an orderly fashion in the interests of producers of western grain.

The first thing we would emphasize in connection with this proposal is that it is not a proposal for a marketing agency. The agency itself would do no buying, selling, storage or other actual marketing function.

The second thing to be emphasized is that we are not thinking of a large unwieldy or expensive organization. We think that, actually, the commission, if the agency should be called that, could consist simply of one good man. He would then employ whatever staff he found necessary to fulfill his responsibilities, and this staff would not be large. Moreover, the result would we think be increased effectiveness and efficiency of work that must in any case be done.

The agency would do three kinds of things that cannot be done adequately without such an institution:

1. It would administer feed freight assistance, a fundamental feature of national grain and agricultural policy. There are several reasons why this should be done. One is that, with the agency established and needed for other purposes as well, it would be particularly well adapted to administer feed freight assistance. It would be a good utilization of the knowledge and abilities of the commissioner, and would give him an intimate knowledge of the grain movement that would serve him well in his other responsibilities. In short, it would be an efficient thing to do. Second, a policy like feed freight assistance continuously requires the making of decisions and adjustments, all of which affect farmers, and many of which

involve considerations of equitable treatment of one group or area compared with another. In such circumstances there is always a strong case for the establishment of a semi-independent commissioner who can be identified clearly as the person directly responsible for such decisions and who will be directly dependent upon establishing well understood and sound principles of operation, and public confidence in the institution. In the nature of the feed freight assistance program, this is something that is highly desirable. There are many boards and commissions of this kind.

2. The agency would create one responsible official, with status, knowledge based on continuing attention, and access to the fullest and frankest consultation with other departments and agencies involved in feed grain problems. It should be noted that there are three departments—agriculture, trade and commerce and transport—involved, as well as the Canadian wheat board, the board of grain commissioners and the national harbours board. There are also institutions and associations in the grain business, related to shipping and marketing, with whom consultation and discussion can be very useful. The agency would have the special responsibility of looking to and serving the legitimate interests, in the light also of national policy and the national interest, of the eastern Canadian and British Columbia feeders, and the feed grain producer of central Canada. It is a fact that when problems and issues do arise there is, in the whole hierarchy of officials and agencies involved, no single official with this responsibility and status. One is certainly needed, to supply necessary public information, and, through properly set up advisory procedures, consult with and inform producer representatives. The advisory committee required here need not be large, and could well be appointed in consultation with the Canadian Federation of Agriculture. The agency would on the basis of its knowledge and findings, advise the federal government, and co-operate with all other agencies and institutions concerned in the interests of an orderly feed grain movement.
3. The agency would provide a responsible place where continuing objective study of policy and planning problems related to changing needs and developments in the feed grain supply picture could take place. We would emphasize that our definition of the "feed grain supply picture" is a broad one, embracing not only western feed grains, but eastern also, and not excluding the place of imports in that picture. The agency should at all times consider supplies of domestic (eastern Canadian produced) grains when studying and advising on feed grains policy.

Some of the kinds of jobs the agency would do would be:

—To study and advise on storage requirements and facilities: both their current effective and efficient use, and future needs for space and facilities.

—To study and advise on feed grain price and supply policy and developments. The job here is to assist in making the process of supply and marketing (in which government, wheat board and private agencies are involved) one which is as equitable and effective as possible in actual operation. It is undeniable that from time to time market developments occur which give rise to misgivings on the part of domestic buyers of western feed grains. It is very much in the interests of all concerned that the facts should be objectively considered in such cases, and everything possible done to ensure fair treatment and



equitable policy. This is really a matter of working out problems in the best way, with maximum light and minimum heat. In such situations the normal position is one of good will and responsibility being exercised by all concerned, as they in their judgment see it. Nevertheless problems and differences of view arise that must be dealt with.

—To study and advise on future feed grains requirements and implications for planning ahead to meet those needs.

—To study both foreign and domestic feed grain supplies, prices and movements, and advise on government policy with respect to import permits for grain.

—To administer feed freight assistance and, if it seemed efficient and desirable, the new Federal storage payment program.

#### Advisory Committee

We would emphasize that the role of the eastern advisory committee is of central importance to this whole proposal. The agency will have as one of its primary functions to utilize regularly and effectively an advisory committee representative of the interests of the eastern farmer.

#### Conclusion

From the foregoing you will have concluded that the federation strongly believes that the best course to follow at this time is not to revise the feed freight assistance program. Rather, the federation recommends the establishment of an eastern feed grains agency which would administer feed freight assistance and study and recommend changes that might be made. It is the firm conviction of the federation that the establishment of such an agency would represent an efficient way of doing a number of jobs that must in any case be done or attempted, whether well or badly. It would greatly reduce, in time, the amount of dissatisfaction which has occurred in the past and which, though reflecting real problems, have not been in our view dealt with as effectively and constructively as is desirable.

We repeat that the institution itself need not be large, and should relieve the government and other agencies of a good deal of unnecessary preoccupation with problems in the feed grains field. It should, moreover, make a very important contribution to sound future policy-making.

We therefore recommend to this committee that it support the immediate establishment by legislation of an eastern feed grains agency, along the lines we have proposed in this submission.

Thank you very much.

The CHAIRMAN: Thank you, Mr. Bentley, for your presentation. I believe that there are members of the committee who wish to question you on your brief.

Mr. HORNER (*Acadia*): Mr. Bentley, I am going to suggest a different trend of thought. You say on page 3 of your brief near the bottom:

The feed freight assistance policy is part of the total picture of national agriculture policy in Canada.

I have before me an article in the *Macdonald Farm & Home Journal* for November 1963, at page 5 entitled "Canada's Feed Grain Policy is it Worth It?" by Dr. C. B. Haver of the department of agricultural economics, Macdonald College. This magazine is published in Montreal and therefore I suggest it contains quite a bit of eastern Canadian viewpoint. This is Dr. Haver's idea, and I will repeat it briefly. He suggests there are many farmers in eastern Canada who are opposed to this eastern freight assistance. Let me read one paragraph, because my question will arise from it:

To many of these farmers the depressed local prices of feed grains, in part due to federal feed grain policy, has made it less economic for

them to rotate and renew their pastures, and thus more and more of these pasture acres pass to such a low level of productivity that they are no longer economically useful as pasture.

He raises the suggestion in his article that because of depressed feed grain prices in eastern Canada farmers are tending not to rotate as often as they should, and not to look after their land as carefully as they should, and that this brings about poor farming practices, and in some cases complete abandonment of pasture land and farm land. Is this a problem?

Mr. BENTLEY: I shall ask Mr. Kirk who is probably more familiar with the eastern situation than I am, to give his opinion.

Mr. DAVID KIRK (*Executive Secretary, Canadian Federation of Agriculture*): I am familiar with this article. In it Mr. Haver mentions a figure of estimated loss to the eastern farm in the sum of from \$50,000,000 to \$70,000,000, or something like that.

Mr. HORNER (*Acadia*): Yes.

Mr. KIRK: We have been in touch with Mr. Haver about this question and have asked him what the basis was that he used to arrive at this figure of from \$50,000,000 to \$70,000,000, but we have been unable to obtain it from Mr. Haver, or really any basis for arriving at such a figure as that.

Mr. HORNER (*Acadia*): Yes, he used a figure of from \$30,000,000 to \$50,000,000, and then he adds \$30,000,000 which the federal government is putting in and that gets it up to between \$50,000,000 and \$70,000,000. But he is suggesting that owing to poor farm practice the eastern farmer is losing, and that it is bringing about lower income to these farmers; he suggests that the farmers are losing from \$30,000,000 to \$50,000,000 a year.

Mr. KIRK: When I have finished, I shall ask our members from the province to which he has in a major way referred, namely, Quebec, to respond to that. But speaking for myself I find it very difficult to feel that the program of feed freight assistance is resulting in a sort of very, very large negative financial loss. On the other side, as to bad farming practice, if the farm practice is good, then it is up to the producer, and he presumably has an incentive to follow that practice.

Mr. HORNER (*Acadia*): He is suggesting that this is all brought about because of depressed local prices apparently because of the federal grain policy. Could one of the eastern members answer this? Does the federal freight assistance policy tend to lower local feed prices?

Mr. LIONEL SOREL (*First Vice President, Canadian Federation of Agriculture*): The freight assistance policy has an effect on the cost of production for the producers in the eastern part of the country. There is no doubt regarding this. With regard to this article, I think it is up to whoever takes a chance on writing such an article to give the details to prove his case.

Mr. HORNER (*Acadia*): That is fine, but it is still a trend of thought of which the committee should have some knowledge, particularly from the eastern representatives. What about cheap western grain coming in under the freight assistance program? Does it tend to lower local prices? If I am growing oats in eastern Canada would it cause me to rotate my pasture land, and would it be worth from five to ten cents a bushel more or less than it would be worth if the freight assistance policy were to be wiped out?

Mr. ROGER PERREAULT (*Member of the Canadian Federation of Agriculture*): I would like to have some details regarding the article of Dr. Haver. We have read the article and considered it very carefully and we share the opinion of Mr. Kirk, the executive secretary of the Canadian Federation of Agriculture



to the effect that it is extremely difficult to find on what he has based his estimate. There are certain economic and agricultural considerations which should not be overlooked. The assistance by way of freight in the eastern provinces has certainly had an effect. It permits farmers to specialize in crops which are better fitted to the province of Quebec. The western part of Canada has a specialty, normally, in feed grain, so that the province of Quebec has been able to substitute mixed farming.

Even if the farmer of Quebec could produce all the feed grain he wanted, he could never do so, because there is the question of quality. The feed grain grown in eastern Canada is not the same as that grown in the west. Moreover, there is the question of specialization in the west. This is an advantage to the west as well as to the east.

Some farmers seek to rotate pastures. Others may have feed on rotated pasture. He seems to forget that some pasture land is permanent, and that this is necessary. As far as prices are concerned, it is rather difficult to answer. It is difficult to know whether this freight assistance lowers prices on the local market. At first glance I do not think the effect is as considerable as they pretend. First of all, I think we should look at the economic aspect as well as the agricultural aspect. I do not know if that is a reply to your question.

Mr. HORNER (*Acadia*): Thank you. But we must remember in this committee that western feed grain is only 25 per cent of the feed grain used in Canada, and I would hate to think that that 25 per cent is causing a depressed price on the other 75 per cent. You see my point?

Mr. KIRK: Yes, of course. But if I may add one more word: in so far as his argument goes and the reference to the livestock producer who could produce his own feed grain, it seems to me that what Mr. Haver is saying is that the farmer is really being fooled by this policy, and that in fact he could make more money by producing his own grain, with or without freight assistance. That is an implication of the argument, that he could make more money today with or without feed grain assistance. But in fact he is being misled by the feed grain assistance into practising bad farming. This seems to me an exceedingly doubtful proposition. Surely if a farmer could make more money by following a particular farm practice, he would do so. But he will not follow a certain practice if it will cause him to lose a substantial amount of money. This is an argument of psychological impact which strikes me as being a very doubtful proposition.

Mr. HORNER (*Acadia*): I have further questions but I shall allow them to stand at the moment.

Mr. EMARD: I was late, Mr. Chairman, but I would like to know about this problem, because it is a very complicated one. I would like to know if anyone could explain clearly the reason feed grain sells at such high prices in the province of Quebec, so that I may explain this to the farmers of my riding, and give them reasons without going into technicalities. Could someone explain that to me briefly?

Mr. BENTLEY: Mr. Chairman, I think that in answer to that question we should realize that feed grain prices in western Canada over a great many years have been quite low. Now, after the sales were made to China two or three years ago, oats and barley improved their position considerably. But a thing which eastern farmers do not seem to realize is that the western livestock producers are also paying a higher price for feed grain because the price level has moved up somewhat. It is still not high, but it has moved up. So that some of the reasoning which eastern feeders have had over this situation and the rise in price are not due to feed grain assistance but rather because the price



of feed grain in eastern Canada has moved up somewhat because of the export of a considerable amount of grain to other countries. I think we should not overlook this fact.

Mr. PIGEON: I have a question.

Mr. EMARD: I understand one of the reasons for the rise in prices was the exports. Are there other reasons as well?

Mr. PIGEON: If you would be aware of the whole problem, read the reports and you will know all about it.

Mr. BENTLEY: I would add by way of further explanation that the western feeders have increased livestock production, so that this has also made a greater demand for feed grain in western Canada. This is part of the development of western Canada, and you cannot deny it. This is normal, and it is going to continue.

Mr. PIGEON: You just said a few minutes ago that when we have in our country a big sale to foreign countries, it directly influences the price of feed grain in eastern Canada. Is that a fact?

Mr. BENTLEY: It can have some effect, because if you remove large quantities of grain from the market you will tend to improve the position with regard to the price. You must understand that in western Canada when we had a large surplus of wheat, oats and barley on the farmers hands, those farmers who normally did not produce livestock were forced into the production of livestock, hogs and cattle, when normally they would not do this. Now, with the increased sales of grain, this pressure to go into livestock was lessened. Therefore there probably was not that same pressure for all of them to go into it as there was before.

Mr. PIGEON: Do you think if the government creates this feed grain assistance that it would resolve the problem another way? Canada will be able to export to foreign countries, and there is no eastern farmer that would establish the price, and this export would not affect the price of any eastern farmer.

Mr. KIRK: I think in this connection we should make one thing quite clear, and it is that we do not have—nor is the federation recommending—an over-all total price management of feed grain, or a price management system in Canada. We accept what our system is now, and that we have an agency in western Canada for the orderly marketing of this crop in the best interest of the producers. It is inherent in this system that we recognize that prices will vary, that they will go up and that they will come down. But it is not part of our policy to attempt the management of prices from the point of view of a total sort of “just” price, for the whole country.

There is a market situation here which is not part of our policy, something which you would have in a total management system. I say this also in reference to an earlier question of why is the price high? I mean that “high” is a word, such as how high? I think what I have said is relevant to that question because there is no price management concept here.

Mr. PIGEON: In your brief you made a suggestion of a feed grain agency. What would be the effect of it upon the eastern farmer and the British Columbia farmer? What problem would you resolve? What would be the effect.

Mr. KIRK: We think that the effect would be that it would serve to meet the problems of the movement of grain, and that it would help the program with respect to the movement of grain when physical difficulties sometimes occur with respect to the movement of grain. This can have an impact on the price. For example if the movement of grain is inadequate

before the close of navigation, that might affect the price. The agency might serve in an advisory capacity by studying liaison activities.

It is not proposed, as we point out, that the agency be a marketing agency or that it be in any sense a managing agency over the price of feed grain. But it will certainly interest itself in the whole question of how the movement and selling of feed grain takes place, and also insure that the eastern feeder is not at a disadvantage by the particular ways in which this whole system works. But as we also clearly point out, it is not the intention that there should be any interference with the responsibility of the wheat board to establish the basic market level of prices, and that these will change from time to time.

Mr. HAMILTON: Are you not trying to put in one man to co-ordinate the efforts of a number of groups both private and public agencies? I would like to follow up Mr. Pigeon's last question. Eastern feeders, particularly in the area of eastern Ontario and Quebec and the maritimes, are concerned over this fluctuation of prices. This, I think, is a major problem, and I would like to ask the Canadian Federation of agriculture, with their concentration of interest, about the movement of grain, which I think is a good cause at the present time. The real responsibility of getting that grain into position belongs to the broker who bought that grain for eastern distribution from the Canadian wheat board at a set price. He takes a certain amount of wheat, oats and barley, and he buys this quantity based on what he thinks he can sell. Therefore he has tried to think in terms of a profit and loss situation. What you are suggesting is that there needs to be someone who has an over-all interest not in the one broker but over the total demand picture, to examine it and see what the size of the eastern crop is, someone who watches carefully to see what the demand factor is, and then to take steps to see certain agencies and to encourage them to do what he thinks is necessary.

Mr. KIRK: That is right.

Mr. HAMILTON: Suppose you get into a situation—and this winter will be a very good situation for us to examine the technique—where you have supplies in general. What I am trying to do here is to describe a hypothetical situation to see how your proposal would meet it. Suppose you have a situation where your supply is sufficient in a main terminal, let us say Montreal, Quebec, Halifax, and the other terminals in the area which supply the eastern demand. Suppose that because of temporary conditions in any one area a group of distributors in that area run short of feed?

The answer we have received in committee so far is that because the supply of feed grain is available at a terminal, let us say, 100 miles from there, there is a competitive factor which will keep the price fairly constant and fairly low. Suppose a situation arises where the local supply fails over two or three weeks. Is it possible that there will be a local increase of price in that area? To give an example, suppose in the lake St. John area—where is the elevator; it is at Chicoutimi or Quebec city—which is 150 miles away from Quebec city we have a series of bad snow storms which last from four, five, to six weeks, and the supply picture declines even having regard to whatever facilities you have in the lake St. John area. Is it not possible that there could be a temporary rise in price in this area that no co-ordinated effort could help?

Mr. KIRK: I would think that it is always possible for a situation like this to occur. I think that a rise in price would be a line market question, a price rise under the conditions which you describe, should it occur, where the co-operatives are operating in that section. But I suppose this could occur. I can agree that it would not at that moment probably be within the power of this agency to take any action to correct that position. But what action the



agency could take perhaps would be, when it occurs, is to have the responsibility fully determined, the reasons why it occurred, the circumstances which surrounded such an event, and to develop future recommendations in our policy or procedure, or simply information about why it occurred which would help prevent its recurrence.

Mr. HAMILTON: This is the answer I expected to the question. The next question comes back to the major difficulty which I think is now before the committee. At the present time the Canadian government pays the cost of transporting grain from the head of the lakes to the main terminals, and on into the main areas. This is a new policy announced in August. And they expect, as we have heard in committee, to revise this to make it apply to shipments right into each area; in other words, to have a common price right through the feeding area. From the point of view of the individual farmer who is the main producer of this feed grain, it happens now that the cost of moving that grain into position is taken over by the Canadian taxpayer. Consequently this comes as an inducement to the terminal operators who are leasing elevators under the Canadian board of grain commissioners. They get their storage paid so that there is no need to move the grain into position in their storage facilities.

But the farmer still likes to know that the price will stand over his feeding period. Even without having the concept of these two proposals for the cost of moving feed grain and of buying storage in the terminals, every effort is made for supplies to be available in the hope that it will stabilize prices.

The farmer does not know it is going to be stable. Therefore if he has had bad experience over the past number of years where the price has fluctuated, and where instead of making a profit he has had a loss, he still does not get any guarantee of a firm price for that winter period of feeding.

It is at this point that I think the question of feed grain policy must be concentrated because, in my judgment, the thousands of Ontario farmers who are going to feed livestock or poultry must have some knowledge of what that price will be.

Since the Japanese, or the group of British firms, or the Russians or the Chinese can move into the market through the wheat board and buy grain for six months at a steady price, the farmer in the eastern area feels very strongly the need to have some knowledge of a firm price over a given period. He realizes that supply and demand will change that price, since demand over the whole world affects the supply situation. But I put it to you, is not the fundamental need of a farmer to have some firm stable price during this winter feeding season?

Mr. KIRK: Of course price stability is a desirable objective. The step which needs to be taken by way of guaranteeing price stability is some kind of intervention in the marketing process. There are many forms it can take. It involves undertakings annually on the part of the seller and on the part of the buyer with respect to commitments. Our federation policy at this stage does not contain in it as a matter of policy any provision to guarantee stability, that is, a particular basic stability which we think the wheat board system provides. It has been a long-term policy of course of the federation that the futures market should not be utilized by the wheat board in the case of oats and barley. I think that generally this was done with the idea that it would contribute to price stability. That is as far as our policy goes. But mind you, we do think that the institution of an agency would enable us with experience and extensive study to identify the cause of that instability, the exact causes of it, and a study should be made with a view to correcting them and examining them. There is just no getting around it but we do not have a policy beyond what we have arrived at so far for the management and forward guaranteeing of feed grain prices.



Mr. HAMILTON: Your policy just goes toward trying to improve the nature of revising the supply situation. What I have asked you is—regardless of what your policy may be—in your personal judgment do you not think that the chief demand of the feeder in eastern Canada is for stability of price during the winter season when he is feeding?

The CHAIRMAN: Might I make one observation. We have an interesting brief, and I would like to insure that every member of the committee has an opportunity to question the witnesses. I have a list here which includes Mr. Pigeon, who has indicated that he has a question along this line. I have a list of members, and if it is agreeable I would like each member to be able to pursue his line of questioning within reasonable limits until he has exhausted or competed it. I have a list here of those who have already questioned and who wish to question again, and if the committee agrees I will prepare another list. I will have Mr. Horner on the other list because he has already had some time in the committee. But if the committee agrees, I would now call on Mr. Pigeon.

Mr. PIGEON: I think the former minister of agriculture has placed his finger on the problem. I think the feed grain agency would have as its sole purpose to study the problem, because whether or not we have a problem, the farmers each year make complaints. I would like to ask a question in French of Mr. Perreault from the Co-opérative Fédérée.

(Interpretation): Mr. Perreault, as each winter shipping season ends the price of grain varies considerably. From your experience what do you suggest? What is the attitude of the Co-opérative Fédérée in order to meet the problem? Do you think that the suggestion made by the former minister of agriculture would be the final means of settling that problem? For example, the eastern farmer and the farmer of British Columbia complain about fluctuations in the price of feed grain; the livestock feeder does not know what the price will be in one or two months ahead for the cost of the feed grain, and thereby he is unable to establish a long-term policy. What would you suggest, as a representative of the Co-opérative Fédérée, to settle the problem? Do you share the opinion of Mr. Hamilton? Do you think this would be a good suggestion?

Mr. SOREL: During the winter months when the farmer needs feed grain, I think we would agree on this. When we presented our brief we understood that the policy has been one of constant supply and prices. We also agreed with the fact that in the policy the storage will correct the problem to a certain extent. But is this policy sufficient? I think we should have to wait for at least a period of one year in order to see the result of it. Will it settle the whole problem if there is no assistance by way of storage and no interest paid on the grain which is left in the elevator? Could we have futures and a forward price system, with prices settled in advance? This is the first time that this question has been raised. I think if we could have a forward price policy in order to permit the farmer in establishing his production planning to know what the cost of feed grain would be, he would be better able at that time to make his plans. What we want first of all is to have an eastern agency. This question will be raised later on. What we lack at the present time is the voice of the eastern farmer, as mentioned by the federal government. But there is no centralization, and if we could have an eastern agency this would help to determine what our needs are, and it would be a good starting point toward settling the problem.

Mr. PIGEON: You suggest in your brief a feed grain agency to study the problem of the eastern farmers. But we already know what the problem is. Do you think it would be a good thing now if this committee should recommend that the suggestion made by Mr. Hamilton to find a way to stabilize the price to help the eastern farmer and the British Columbia farmers be agreed to?

Mr. KIRK: Well, as I have said, I think it is impossible to deny the desirability of price stability in the sense particularly that Mr. Hamilton mentioned, and recognizing the basic changes in the basic market position. I think that one has to say, of course, that measures should be taken to maximize such stability. The only further point I made in this connection was that in all economic affairs when you set up objectives, then certain consequences follow, not in terms again of what you buy or sell; there are areas apart from that position which are not distinct from the objective. So far as I and the federation are concerned, I think we must say, frankly, we have not thought through all the implications of a policy which would, as I say, guarantee future price stability, because it has implications in respect of the marketing program, what you do and the way it is done. Prices vary from day to day because for one reason or another the supply and demand position varies. This means, if you are going to achieve the stability, you must work out techniques for stabilizing and making certain undertakings with regard to supply and demand.

Mr. PIGEON: But what are your suggestions, first, second and third? That is what the committee wants to know. It is not good enough to suggest only feed grain agencies; we want to know from you, first, second and third, what you suggest directly concerning stabilization of price, as Mr. Hamilton mentions.

Mr. KIRK: I think first the answer is we think the present wheat board system working properly gives a great deal of stability. Certainly we think the price premiums which arise are the source of some of the instability at least, and we think our recommendations and the actions recently taken with regard to pricing and payment of storage will go some distance in removing that element of instability, particularly the winter instability which has existed.

We do not have further concrete suggestions for guaranteeing stability beyond that. The only suggestion we have in that connection is we have an effective agency for purposes of studying this problem, clearly identifying not only the problem but possible ways of meeting it and being able to arrive at a solution. We do not have suggestions beyond what I have said.

Mr. OLSON: First of all I think the federation should be commended for their comprehensive study of this problem and some of the suggestions they have made. I am concerned that this agency in the form they have suggested is not going to meet the problem to which this committee is endeavouring to find a solution. If we look back over some of the evidence, suggestions and comments which have been made by previous witnesses, we find that when the board of grain commissioners were here we attempted to find out why they had allocated or at least given a far larger amount of storage in the eastern terminals for feed grain this year. They did not suggest it was because of the new policy announced in August, but was because there was a demand by the merchants for grain in that area. That is why an additional amount was moved in there.

It seems to me if this is going to be only an advisory committee, you are still going to leave the decision in respect of how much grain moves down out of the terminals during the navigation season to the brokers. I am wondering whether the federation has given any consideration to having the government set up a feed grain purchasing board which could make firm commitments for an average amount of feed grain to be moved into these places and then ask for storage. You have suggested the additional 65 per cent over the total volume in these purchases now is going to meet the problem to some extent. I agree; but does it not still leave it a matter of discretion with the brokers in respect of how much will be moved in.

Mr. KIRK: It leaves the decision with the trade in respect of how to order, yes. The proposition that the grain might be moved into position governmentally through a board, or something, through eastern positions at prices published by



them, has been discussed in our organization, as I think you might expect it was. The point I am making is to date we have not arrived at a policy that this should be done; we have not seen our way clear to do that.

Mr. OLSON: When you were answering Mr. Pigeon you said there were some other implications you had not thought out completely with regard to your over-all policy relating to this. What would those other implications be?

Mr. KIRK: Is it the point which was raised that one way of doing it is for the government to take over the management of Ontario feed grains.

Mr. OLSON: Do you see any objection to this?

Mr. KIRK: I think there is an implication in our position here that we do not at this time see the advantages clearly enough. I am not enough convinced of the desirability of and perhaps not even clear enough, to some extent, about the precise nature of operation of such an arrangement to feel that we wish to recommend it. That is our position.

Mr. OLSON: It has been suggested, not necessarily in this committee, but in other places, that the Canadian wheat board should be charged with the responsibility of moving this grain into position and selling it directly in the eastern area. I suggest this could raise the problem of a conflict of interests; in other words, at the present time their job is to do the best they can for the western producers. If we had another agency charged with the responsibility of doing the best job they could in buying and having supplies in position for the eastern interests, this would remove the conflict of interest. You should have two interests doing the best they can for the people to whom they are responsible.

I am just wondering whether the federation has studied this and reached a point where they are ready to suggest this would be desirable.

Mr. KIRK: No; we have not reached that point. That is the factual situation, sir.

Mr. GAUTHIER (*Interpretation*): Mr. Chairman, we look for a way of reducing the deficit in respect of the eastern farmers and to remedy the situation. I would ask the advice of the Coopérative Fédérée in respect of the part it has to play in this. We in the eastern part of Canada say the main reason we have a great deficit in agriculture, first of all is as Mr. Hamilton stated, that there is a lack of stability in prices for feed grain. In the brief submitted by the federation it is stated there is a lack of method in eastern agriculture. There also are other reasons. I think even if we agree on stable prices for western grain, there always will be the problem in the eastern provinces that there is no market equal to that afforded to the western provinces by the Canadian wheat board. Some 30 or 35 years ago, the Canadian wheat board was created, and it saved western agriculture. I maintain that a similar body for the eastern farmers would come to bear assistance and help eastern farming.

As to the question of feed grain, we say there is a lack of market and in the province of Quebec, modernization of agriculture. When western grain comes to the head of the lakes, we lose contact with the wheat board. It seems to me there should be a body in the east to replace the actual company which simply is the private industry which takes hold of the feed grain and markets it without any control and without any rules. We absolutely must have a proper organization in the east which will do the job which private companies have been doing. If this is not done 100 per cent, at least it should be done in order to take control, because to my mind there can be no stable prices without an organization which takes an interest in Quebec and the east in order to have direct contact with the Canadian wheat board in the marketing of western feed grains, and to agree on price conditions. There are not many problems left in respect of storage. This is not the problem.



I would ask the opinion of the Co-opérative Fédérée in this regard. I think the problem is right here. A private company purchases feed grain from the Canadian wheat board, markets it, and there is no control over this trade. Last week we attempted to find out the selling price. There is no control whatsoever. We are not even told what is the price to the province of Quebec. I would ask the opinion of the witness.

Mr. SOREL (*Interpretation*): You are perfectly right when you state that the Canadian wheat board takes the wheat trade out of the hands of industry. As soon as it reaches the head of the lakes, without any consideration for the eastern farmers, the grain is thrown on the open market. We want the Canadian wheat board to remain and we want the eastern farmer to be protected. We want the western farmer to be protected also. But as soon as the grain reaches the head of the lakes it is left to speculators, and they are told to go ahead and buy whatever way they want.

The grain is controlled to a certain extent, but the eastern farmers are absolutely neglected; there is no one to do the job. When the matter is discussed, we know that no one has an interest in a regular supply for the eastern part of the country; nobody plays this part. The grain is controlled at the other end; but at the eastern end there is no control whatsoever. For example, when the west markets its grain through the Canadian wheat board there is no danger of the Russians sending grain here; they are the only producer; they are organized. If we sell our meat, eggs, or grain, there is no protection such as there is in the west; there is no competition in the west. We cannot compare the situation with the closed market in the west. There is no danger of the maritimes or the eastern part of Canada sending grain to the west. If we could produce grain at the same price and send it to the west, we would destroy the effect of the Canadian wheat board.

Mr. GAUTHIER (*Interpretation*): There are certain years when farmers are on their own in trying to put certain products in sufficient quantity on the market, such as potatoes and vegetables. What happens? All these products rot in storage and do not reach the market because there is no governmental agency. The U.C.C. does not co-operate with the government to take hold of this production. I admire the Canadian wheat board; it is a marvellous organization. I wish there was such a body in the eastern part of Canada.

The CHAIRMAN: Do you have a question which is more related?

Mr. GAUTHIER (*Interpretation*): I would like our own products to reach the western market. Do you think that this is right?

Mr. HORNER (*Acadia*): They do.

Mr. SOREL: (*Interpretation*): You say there is no marketing. The farmer does this by himself; but there is no government supervision of this?

Mr. WHELAN: Has any farm organization ever suggested that the free subsidy should be cut off in respect of feed grain?

Mr. BENTLEY: Certainly, Mr. Chairman, so far as the Canadian Federation of Agriculture is concerned I do not think there is any large movement to make any suggestion of this kind. Actually it has been suggested in some local areas that it be done, but generally speaking I think the large responsible farm organizations think this is in the best interests of Canadian farmers generally.

Mr. HORNER (*Acadia*): Did not the wheat farmers of Ontario suggest it at one time?

Mr. WHELAN: Might I finish my questioning? It does not seem that when you ask to have your name put on the list to ask questions you are given the opportunity.

Mr. HORNER (*Acadia*): I was saying that for the enlightenment of the group here.

Mr. WHELAN: If I were given the opportunity I might do it too. All I would like is a little bit of order. I was a director of the Ontario wheat board when we did this. I see that the Federation of Agriculture is suggesting a free subsidy be paid on western Ontario feed grain including corn and wheat. This was never done in the past. Have you any comment in respect of why it was never done?

Mr. BENTLEY: I think probably the representations made by the particular group to which you refer had some effect in this regard. I think that is why eventually it was asked for.

Mr. WHELAN: In respect of your suggestion of an agency, it would be more in an advisory capacity for eastern feed grain.

Mr. BENTLEY: Yes.

Mr. WHELAN: Do you feel this agency should be composed of the united co-operatives of Ontario, the Co-opérative Fédérée, and others, so that they would buy from the wheat board so many millions of bushels a year, and probably be guaranteed funds by the government. Do you think this is a possibility?

Mr. KIRK: I think it is not a possibility; but as I say, this kind of a proposition never has been arrived at by the governments, or by the federation as a proposal.

Mr. WHELAN: If we bought grain for a year or two in large amounts of so many million bushels, would we not be in the same position as the foreign countries who are buying from the wheat board today?

Mr. KIRK: You would have to look at precisely what you propose to do.

Mr. WHELAN: This was brought up the other day and it was suggested in your brief that the subsidy should be paid on western Ontario feed grain that is being used in eastern Canada. One thing which alarms me about this is they are not paying any freight on it and they are not paying any storage on the western Ontario corn. Has your organization made any further representation or have you any suggestions on this?

Mr. KIRK: No, not on the storage question. We just have not considered that.

The CHAIRMAN: Mr. Bentley must leave us to take advantage of a plane. I know we are all sorry he has to leave so soon. I think members of the committee would like me to express our appreciation for your time with us this morning.

Mr. BENTLEY: Thank you very much, Mr. Chairman.

Mr. PIGEON: Just before Mr. Bentley leaves, I would like to place a motion in connection with what was said by the former minister of agriculture.

I would like to move that this committee recommend that the government at the next session establish a feed grain agency to seek to stabilize the price of feed grains in the eastern provinces and British Columbia.

Mr. VINCENT: I second the motion

The CHAIRMAN: I do not think we need keep Mr. Bentley for this.

Mr. PIGEON: I would like to raise this motion.

The CHAIRMAN: Would you like to put the motion in writing, Mr. Pigeon, please? When I have it I will ask the committee to deal with it. Meanwhile, when you are doing that, we may proceed, if Mr. Whelan has concluded.

Mr. VINCENT: I would like to ask Mr. Kirk whether he agrees now that the biggest problem for eastern farmers is the stability of prices for grain? I ask

this question because the first answer you gave was that the farmer does not mind about the stability of prices because this is a marketing situation. However, as a farmer and as a representative of farmers, this is the biggest problem we have in eastern Canada, stability of prices. Do you agree to that?

Mr. KIRK: Yes, sir; I thought I had agreed. I do not agree it is the only problem. I agree it is the major problem. I do not think I said that the farmer does not mind having instability because there is a marketing system. I said there is a marketing system and we do not, as yet, have planned control price in the marketing situation. I think, however, we have pointed out in our brief that in connection with the question of premiums and relationships of futures before and after the close of navigation, to my mind at least, a significant complaint or dissatisfaction on the part of eastern people has been not just the question of price stability as such, but the question of what they considered were price premiums which they should not have to pay, which is a question of amount, is it not?

Mr. VINCENT (*Interpretation*): In respect of the purchase of feed grain at Fort William, directly from the Canadian wheat board, Mr. Sorel, do you think, for example, if there were legislation adopted which would permit all the agricultural agencies to get together and purchase their necessary supply directly from the wheat board which they would need for the winter, that this would be a solution to the problem you have raised a few minutes ago?

Mr. SOREL: Yes, Mr. Vincent, on the condition that the federal government should contribute to this system of grain purchasing at the head of the lakes.

Mr. VINCENT (*Interpretation*): Do you think this body could estimate in millions of bushels the quantity of grain needed for a period of six or eight months?

Mr. SOREL (*Interpretation*): Grain is like anything else. When there is a scarcity, prices go up.

Mr. VINCENT (*Interpretation*): Do you think they could estimate up to a certain percentage the needs of eastern Canada for a period of six or eight months?

Mr. SOREL (*Interpretation*): The government with its inquiries and statistics could estimate this, the same as they estimate the amount of eggs and pork. The supply could be estimated and the government technicians could average it out. The role of this body would be to supply the eastern part of the country sufficiently and avoid the situation where often there is a scarcity. This should be an effort to satisfy the needs of everybody for grain and not have the grain all in one place.

Mr. VINCENT (*Interpretation*): Do you not think, for instance, that this agency, if it could estimate the requirements for a period of six or eight months, could become a very important purchasing agent, and could buy between 50 and 80 million bushels of wheat in the fall and contribute to the stability of prices in respect of feed grain which we need in the eastern part of the country?

Mr. SOREL (*Interpretation*): It should not be a supply for only six or eight months; we should have a proper supply for 12 months in advance in eastern Canada.

Mr. VINCENT (*Interpretation*): I think your federation has considered the problem and has considered how such an agency could be established. Have you considered all aspects of this situation; that is, in respect of the organization of the agency.

Mr. SOREL (*Interpretation*): We are not the ones to establish the agency. What we want is to fulfil the requirements of eastern Canada. It is up to the



government to see that the agency has the proper powers. We have not considered the powers of the agency. We say what we want the agency to do and it is up to the government to give the agency the proper powers in order to supply eastern Canada sufficiently and keep the supply at proper levels, keep storage up, maintain the prices, and start inquiries when there are situations where grain is expensive for eastern Canada. There should be an inquiry if there is an unjustified rise in prices.

Mr. VINCENT (*Interpretation*): Does the Canadian Federation of Agriculture approve of the recommendations?

Mr. SOREL (*Interpretation*): All we want is to satisfy the needs of the east. In respect of the province of Quebec, you think we will need 100 tons of grain. This is an important purchaser. We consider its requirements should be filled. Grain should not be allowed to remain for speculation at the head of the lakes. There is no speculation in respect of the Canadian wheat board, but the wheat is sold to speculators in a closed market at the head of the lakes. This is the best market in Canada.

We are ready to pay a reasonable price to the western producer, whatever the price is. We are ready to pay him a good price. They have a real claim and they have a right to proper conditions of production.

Mr. VINCENT (*Interpretation*): How many bushels of wheat does the Co-opérative Fédérée handle in a year?

Mr. PERREAULT (*Interpretation*): Mr. Blouin is our specialist in the matter of grain supply and he is better able to give you the answer.

Mr. BLOUIN (*Interpretation*): During our last fiscal year in the province of Quebec we sold about seven million bushels of feed grain.

Mr. VINCENT (*Interpretation*): Does the Co-operative Federee purchase directly from the Canadian wheat board?

Mr. BLOUIN (*Interpretation*): No. We buy from agents of the commission.

Mr. VINCENT (*Interpretation*): Could the Co-opérative Fédérée become an agent of the Canadian wheat board or have negotiations been undertaken so that the co-operative could become an agent of the commission?

Mr. BLOUIN (*Interpretation*): There has been no request in this regard.

Mr. VINCENT (*Interpretation*): According to information given to me, I think the Co-opérative Fédérée last year could have asked to become an agent of the Canadian wheat board.

Mr. BLOUIN (*Interpretation*): Yes. We may apply in order to become an agent for the group.

Mr. VINCENT (*Interpretation*): Would there not be an advantage in having the Co-operative Fédérée become the direct agent of the Canadian wheat board without going through an intermediary.

Mr. BLOUIN (*Interpretation*): As agents we decided to reserve means of transportation for grain from Fort William to Montreal and Quebec.

Mr. VINCENT (*Interpretation*): Last November the price of oats in Fort William was \$43.68 a ton, and the price on barley at Fort William was \$45.10 a ton. If I understand it correctly, the federal government pays for transportation from Fort William to Quebec by ship, and it pays for the storage of this feed grain up until the month of April next year. Would it not have been possible for the Co-opérative Fédérée, for example, in November to purchase a certain quantity of oats and barley and feed grain to store in elevators, the freight being paid by the government and the storage being paid by the government; would it not have been possible for the Co-operative Fédérée to purchase a few million bushels of feed grain in order to avoid the increase in freight rates and storage rates?

Mr. BLOUIN (*Interpretation*): In fact, the Co-operative has purchased barley and oats and has sold it to the co-operatives.

Mr. VINCENT (*Interpretation*): For example, if the Co-operative purchased seven million bushels of feed grain in November directly from the Canadian wheat board, would the Co-operative need financial assistance and credit facilities from the Canadian wheat board for a purchase of seven million bushels of feed grain?

Mr. BLOUIN (*Interpretation*): It would certainly require some financing; but in certain conditions we have reserved credit for about two million bushels of wheat, oats, corn and other grain.

Mr. VINCENT (*Interpretation*): In your opinion, would the co-operative be interested in being a member, or in taking part in this purchasing board which we are contemplating which board would ascertain the requirements of eastern Canada and purchase all the feed grain necessary for eastern Canada.

Mr. BLOUIN (*Interpretation*): I imagine the Co-operative would be interested in this, if it were invited to take part.

Mr. VINCENT (*Interpretation*): Thank you.

The CHAIRMAN: I think at this point I should read the motion of Mr. Pigeon, seconded by Mr. Vincent, that the committee recommend to the government at the next session that legislative measures be taken with a view of establishing an agency for feed grains and to stabilizing the price of feed grains in eastern Canada and British Columbia. I would like the assistance of the committee in respect of this motion. I might make the observation that the motion is a bit premature because, really, this is one of the things the committee is attempting to decide. I think that the deal with this motion in a conclusive manner, either for or against, at this time, would prejudice the committee in hearing the balance of the evidence today and other witnesses which we plan to hear. May I have your observations on this?

Mr. OLSON: Mr. Chairman, I believe this motion covers one of the things we would like to discuss and perhaps make a decision on. Certainly I do not think we should do this until we have heard all the witnesses, particularly those who are here today. As you said, this is premature.

Mr. PIGEON: I agree, but do you think it will be possible at the end of this meeting to have the motion?

The CHAIRMAN: The suggestion I would like to make, Mr. Pigeon, is that I agree with Mr. Olson it may well be when we have concluded our deliberations we will want to adopt this motion; however, at the present time I would suggest that it stand until the committee has concluded its evidence.

Mr. VINCENT: This motion might stand until all the witnesses are heard and then we might proceed with it, if this is agreeable to the committee.

The CHAIRMAN: One of the matters which has been concerning me in respect of our investigation into the eastern feed grain situation is the fact that parliament may prorogue shortly on the 20th day of December, or thereabouts, and that would be the end of this committee for this session. This morning I spoke to Mr. Pickersgill, the house leader about this. I suggested to him that in our report the committee might have to say we have not had time to conclude our examination, have not had an opportunity to make a comprehensive report, and that we might ask the government to reconstitute the committee along the same lines in order to continue our study of this matter. Mr. Pickersgill indicated he thought this suggestion would be acceptable to the government.

Mr. BEER: I think there might be another witness we would like to hear before we consider the motion. Conceivably we might wish to call some of the grain handlers in eastern Canada. I think it would be premature to consider the motion at this time.

Mr. PIGEON: I agree. We will stand the motion.

Mr. HARKNESS: I think before we hear this motion we will have to hear again from the wheat board on this.

Mr. VINCENT: We have discussed this matter with the wheat board. In the mind of the wheat board there is no objection at all to having such an agency in eastern Canada. As I remember it, the representative of the wheat board said that perhaps this was one of the solutions to the problem. So, I do not think we will need the wheat board.

Mr. WHELAN: As many of us are practically new members of parliament and are not as familiar with this problem as some others, I think it should be pointed out that we are all definitely concerned about the feed grain problem in eastern Canada. However, I think we should weigh all the evidence before voting on the motion.

Mr. VINCENT: I have agreed to that.

The CHAIRMAN: Do I understand that we are agreed that this motion shall stand until the committee has heard all the evidence relating to the feed grain situation?

Agreed.

Thank you very much. May we now proceed with Mr. Langlois?

Mr. LANGLOIS: Mr. Chairman, I have a question supplementary to that of Mr. Vincent's. You stated a while ago that you had purchased feed grain to the extent of about 7 million bushels. From whom did you purchase that feed grain?

Mr. VINCENT: From an agent of the board.

Mr. LANGLOIS: Mr. Chairman, I think we have had quite a few questions on this subject this morning and on many occasions members of the committee have indicated that they were aware of the problem. But it is a solution which seems to be a little hard to find. I wish to direct a question to you. In view of the fact that we know what the problem is, and that we are trying to find an equitable solution for all western and eastern farmers, do you think that we should preoccupy ourselves with internal markets first of all?

Mr. KIRK: I am not sure that I fully understand your question.

Mr. LANGLOIS: Do you think that we have been neglecting our internal markets to some extent in favour of the export market, in furtherance of the export of grain from western Canada, and that the wheat board and the government have in fact, normally and to a certain extent, done that because most of the wheat grown is exported to other countries?

Mr. KIRK: I do not think it is possible to give a general answer to that. When our people have asked the wheat board, usually we have asked this question in connection with specific circumstances and related to particular points of time. At this point of time there is the pressure on your export supplies resulting in the neglect of the movement of feed grain supplies to the lakehead, for example, and in context with the specific circumstances. On those occasions the wheat board has explained what the situation was, and they have said that they are making the best efforts they could to see that these supplies were available. There have been times when some of our eastern people have felt that those efforts were not as great as they should be, and this is a matter of consultation and opinion. I think that I would have to



answer your question in this case by saying that this issue does arise at particular times in connection with particular circumstances of the grain movement.

As a general question I think the answer would have to be that the wheat board is selling grain to competitive markets, and it is the policy, certainly as expressed and enunciated time and time again, and it is one with which you are fully cognizant, that it recognizes the fact that there are two markets, and it proposes to serve them to the best of its ability.

Mr. LANGLOIS: I am not saying that the export markets in any one year or two years have caused fluctuations in the price of eastern feed grains, but I am saying that has been the situation over the past years. Would you say, this does affect the matter in that the wheat board has been exporting grain rather than selling it on internal markets? Is that not true? Would that not be the reason to a certain extent why there would be a pressure of interest for exporting rather than seeing to the business inside the country first of all, and I mean not only the wheat board but the general agencies which have to do with grain?

Mr. KIRK: I hardly think that this would be a fair conclusion to draw, because there should not be an impression given that the board would put its best attention, its fullest attention, other than upon all markets. You could argue equally well that it does not give adequate service to a particular export buyer because he is smaller than others.

Mr. LANGLOIS: In this committee we have heard of an international meeting which stabilizes the world price of grain, especially of wheat. The last one was held in Geneva, which established a floor and ceiling price. Do you think that policy in the case of Canada's internal markets here would be effective in the way of establishing a floor and selling price on grain?

Mr. KIRK: As far as the international wheat agreement is concerned, the floor and selling price of course do, to a certain extent, force selling on the domestic market, because we have a single pricing policy.

Mr. LANGLOIS: Do you think that it is a good thing for other countries when they put it on?

Mr. KIRK: Yes, I must assume that otherwise these other countries would not have entered into it.

Mr. LANGLOIS: Do you not think it would be just as good if we had some sort of similar arrangement in Canada? I maintain that if it is good for others, it must be good for us at home.

Mr. KIRK: You mean an interprovincial marketing body?

Mr. LANGLOIS: The wheat board knows what price they buy at at the other end, in wheat; they could give a recommendation for a floor or selling price, and you could not buy or sell above or below that market.

Mr. KIRK: The wheat board does not know what price it will pay. The price it pays is the price at the final receipts. It does not know in advance what price it pays.

Mr. LANGLOIS: That is a fact, but in connection with the winter situation at the moment, would it not help if we had a floor and ceiling price?

Mr. KIRK: Well, it might be possible. This to me is a new idea, sir, and I must confess that I do not have any firm views on this question of a maximum or minimum price agreement in Canada for feed grain. This is a new idea and I think that really my answer at this time would have to be that I just have not thought about it sufficiently to feel confident about giving an answer whether it would be good or bad.

Mr. LANGLOIS: Could the chairman give us his opinion on this with regard to having a floor price and a ceiling price, and would this not in fact tend to stabilize the price at certain points?

Mr. SOREL: The attention to the external and the local markets—these are not the same. The Canadian wheat board must take care of them because there is competition on the export market. Therefore, even if there is some tempered competition they have to pay more attention to their competitors than they do to their internal market. When a customer has to buy through them, they do not have to pay as much attention to him as they do to those who could buy otherwise. The position of the wheat board is such that unless anyone takes care of his customer, he is in danger of losing him.

Mr. LANGLOIS: I agree. But if a stabilized price, or selling price, or floor price is good for them, is it not equally good for Canada? You may be right. I am not blaming you.

Mr. SOREL: If this commission were established in the east it could study this problem, and it could study the consequences of a ceiling and floor price. If we had such an agency, its role would be to study this question; and when it is serving an internal market, at that moment, they might have the power to negotiate a ceiling and floor price.

Mr. LANGLOIS: If I might continue with my question about this agency which has to be formed, it is a good thing which has been discussed among members of the committee; it is a good thing as long as it is not to be just another agency which becomes just one of the others. However if it is going to be one more added on, it will not help the situation any.

We are trying to find a reasonable price for eastern farmers, and the only way you can get it would be to have the shortest way. I ask you to answer this: is the cheapest way to get feed grain to the farmers in eastern Canada from the western farmer a way to avoid having intermediaries playing with it or handling it? Do you think that would be the one way to start to prevent speculation with it?

Mr. KIRK: The least expensive way to move it is to have as few charges on it as possible, of course.

Mr. LANGLOIS: Coming back to Mr. Vincent's question or proposition of a little while ago, that the agency should work in agreement with the Canadian wheat board, do you think that is possible?

Mr. KIRK: The agency, as we have proposed it, would have a responsibility to work with the Canadian wheat board in the sense of informing itself through consultation with the wheat board as to the circumstances of the grain movement, and then advising the wheat board if it felt that under particular circumstances action could be taken with respect to the movement of wheat by the wheat board that would be more satisfactory than what was being done, yes, but it would be an advisory function.

Mr. LANGLOIS: I mean the wheat board, not the wheat board agencies, because the problem in eastern Canada has to do with No. 5 feed wheat, oats and barley. The wheat board does not touch oats and barley too much. They go through the Winnipeg grain exchange.

Mr. KIRK: No, the wheat board purchases oats and barley throughout western Canada.

Mr. LANGLOIS: Yes, and it goes through the Winnipeg grain exchange.

Mr. KIRK: No, I think the wheat board offers oats and barley at the Lakehead and at internal points in western Canada, too.

Mr. LANGLOIS: The wheat board naturally buys the grain in western Canada, but the oats and barley go through the Winnipeg grain exchange.

Mr. KIRK: No, I think the Winnipeg grain exchange is only an institution, as I understand it, and it does accept them for operating a futures market. It does not itself handle grain. It is the people who belong to the exchange who do the handling as agents of the board.

Mr. LANGLOIS: Agents of the board have to be members of the Winnipeg grain exchange first. That fact was given to the committee at its last session.

Mr. KIRK: If that is the case, all right.

Mr. LANGLOIS: It could be done. The grain only goes forward as grain. It could be done on futures.

Mr. KIRK: Yes, you have a futures market on it, and you can speculate, of course.

Mr. LANGLOIS: The members of the wheat board and agencies are also members of the grain exchange; and if the agency buys from the same agent, it becomes a vicious circle with everyone, and you are going to go through the same agent. It is going to be said that the co-op would be an agent.

The CHAIRMAN: I think Mr. Drouin agreed that the co-op could be a member. I think the answer to that question was that the Co-op Fédérée could be an agent. He believed it could be a member or agent of the Winnipeg grain exchange.

Mr. LANGLOIS: All right, so the wheat board could sell to that agency.

Mr. KIRK: It could sell to any agent.

Mr. LANGLOIS: I mean the agency which we were talking about this morning.

Mr. KIRK: No, not to the one we recommend, because it would be purely advisory.

Mr. LANGLOIS: If we must have such an agency formed to keep the price reasonable to the eastern farmer and satisfactory to the western farmer, they would have to keep the price at possibly what they are getting now, and we would have to have the grain. We cannot get it through the wheat board directly, because it has to come through agents, as it is coming through them now. We would have a very tight control over the agent's price because it is really another agency, and we would have to get a more direct way to purchase grain in order to get it cheaper. The cheapest way would be to eliminate all intermediates, and by that I go along with the motion that the agency, if it is formed, should negotiate directly with the wheat board. I have a motion here from which I have had to eliminate another factor which could be of a speculating nature.

In view of the fact that the Canadian wheat board does constructive, positive, and sound economic work for the western producers, and that the Canadian wheat board speculates on feed grain to the betterment of the producer, may this commission transmit the feed grain through the Winnipeg grain exchange which can speculate on these prices? So I propose, seconded by Mr. Gauthier, that an agency be formed to have power to transact business directly with the Canadian wheat board, and that all feed grain for the eastern part of the country should not go through a secondary agency or through the Winnipeg grain exchange.

The CHAIRMAN: May we delay that motion?

Mr. VINCENT: I think this motion should get exactly the same support as the one which was presented a few minutes ago and was allowed to stand.

Mr. LANGLOIS: I am willing to let it stand.

Mr. BEER: You have one motion before you already, Mr. Chairman, so you cannot accept another motion until the first motion has been disposed of. This second motion would be entirely out of order until the first one is dealt with.



The CHAIRMAN: I was going to suggest that the motion stand on the same terms as Mr. Pigeon's motion.

Mr. LANGLOIS: If the normal procedure and order of speakers had been followed, then my motion would have come up first. It could be brought in as an amendment to complete the other one, because it goes along with it. I could make an amendment to Mr. Pigeon's motion.

The CHAIRMAN: Is the committee agreed that the motion should stand on the same terms as Mr. Pigeon's motion?

Mr. LANGLOIS: Once the wheat board lets go control over this grain at the lakehead, that is where speculation starts, and you cannot follow it from there on. Everybody has it in his own hands. I had it in mind to eliminate it so that we could export grain from one end of the country and control it right into the farmers' hands at the other end without having it go through too many hands.

The CHAIRMAN: It is agreed that this motion shall stand?

Mr. BEER: This is a new motion. It is not an amendment. It is a motion to study the advisability of appointing an advisory agency in an advisory capacity only. This is an agency which would have power to buy.

Mr. LANGLOIS: No, not an advisory agency, but an active agency.

Mr. BEER: That is why I say it is a new motion.

Mr. PETERS: There are three motions; the one recommended by the Canadian Federation of Agriculture to which Mr. Beer refers; and then there was Mr. Pigeon's motion seconded by Mr. Vicent, which did not say what Mr. Beer said the motion said; and then there is this third one under discussion now. I suggest that they all stand, because we are not ready at the present time to accept motions for discussion until the other agencies are heard from. It would be foolish to put them in by way of amendments at this time.

The CHAIRMAN: I agree.

Mr. LANGLOIS: My motion is conditioned on the fact that the other one has been accepted first.

The CHAIRMAN: I think, with respect, that it is not an answer because, as I understand the feeling of the committee, it really does not matter which motion is first, or whether one motion amends the other. These motions are now to stand until consideration of the committee's report. At that time the committee will deal with them and will either adopt them, or reject them, or modify them, or include them in its report.

Mr. LANGLOIS: I would like to say that if my motion cannot be accepted in the form in which I presented it—

The CHAIRMAN: That is a matter we will have to deal with when we complete our report. Is that agreed?

Agreed.

Mr. DANFORTH: As one who represents an area where there is surplus grain in eastern Canada, perhaps my approach will be just a little different on the entire problem. I was very much impressed by the study that has gone into this question by the federation of agriculture, and although I have heard various suggestions that we know what the problem is and that we are seeking the answers, I am sure that I am not quite conversant with the problem. Therefore I would like to ask some very basic questions to start with. Is it the opinion of the federation that there is an opportunity for speculation, and that the grain in our terminal elevators in eastern Canada is in the hands of a very few brokers or second handlers? Is there an opportunity to have the taking of excessive profit? Is the answer to that question yes?

Mr. KIRK: I am sorry. May I interject—I stand to be corrected—I think if you will pardon me, that the point which Mr. Lavoie of the U.C.C. was raising with me was that they are concerned about this particular matter, and that if their submission as such is to be dealt with, that unlike myself who is available to the committee at any time, their arrangements make it difficult for them to be here this afternoon. They have one point in particular which they wish to raise.

The CHAIRMAN: They have one specific matter?

Mr. DANFORTH: Very well, I will gladly forego my questioning to allow these gentlemen to proceed, provided that I am given precedence thereafter.

The CHAIRMAN: I am sorry. I shall be glad to allow you precedence thereafter. I am sorry that I did not know that the gentlemen were not going to be here this afternoon, since we could have given them more time. There is one particular point which was not dealt with this morning. Maybe you could deal with it at this time.

Mr. SOREL: With regard to our members, I am staying over to discuss one particular point. This is the situation. We appreciate the work of the Canadian wheat board, and we want it to remain in operation and to continue its good work. But what we appreciate even more is the acceptance of the rule which leaves free trade, except for the prairie provinces, to protect the western grain producer. I agree with it. I do not think that free trade is to the advantage of the producer. It is to the advantage of the trading people, but I do not see how this grain can be marketed freely.

I went a few times to the west to study the problems there, and to study this free trading in the west. I realize when any grain cannot be delivered or is delayed, the producer will sell his grain at a better price, but this is not to his advantage. There are channels through which all the grain must be marketed to protect the western farmer. This exception is made in certain circumstances, but it is not to his advantage.

Mr. HORNER (*Acadia*): Do you mean by "his advantage" the western producer?

Mr. SOREL: I say that it is not to the advantage of the western producer.

Mr. HORNER (*Acadia*): Well, I disagree with you. It certainly is to the advantage of the western producer.

The CHAIRMAN: Let us conclude the submission.

Mr. SOREL: I cannot see why we should market a product in order to protect a certain group of producers, and then allow them to make exceptions, which will fall back on other people. There is an indication in the west, and everybody is aware of it, that a producer can buy freely outside the wheat board at any price, and at a price which is not controlled. They can buy their supply of grain and products such as eggs. So there is discrimination, because we have to purchase grain which costs us more than it does the western producer. We cannot stand the competition, and this is a point in our brief which has not been dealt with this morning.

Mr. VINCENT: Mr. Chairman, on the question which Mr. Sorel has raised, you have received a report of the agriculture committee. When I raised the question the agents of the Canadian wheat board told us that there were only ten million bushels of feed grain being sold in the provinces.

Mr. SOREL: In 1961, at the end of November, I went to the west and asked this question in the office of the manager of the federated co-operatives: "how much did you buy from the wheat board this year, and how much did you buy outside?" He said, "From the wheat board we bought nothing. We bought everything outside the wheat board."



If they say there are no sales or hardly any sales, let me say that there are cash sales which are not controlled, and we do not know anything about the price. Their trading may be done at ten cents a bushel outside of wheat board prices.

Mr. JORGENSEN: I think there is a misunderstanding here. I have a copy of the brief submitted by the U.C.C. and the Co-op federée to the government in 1963. I think they have outlined their thinking pretty clearly in it.

On the statement that when a farmer sells to the Canadian wheat board it is because he is in need of cash, you are implying here that the western farmer, when he has stacks of grain, cannot sell it, and when he needs cash he gets it by selling to feed mills at a lower price. This might have been true in 1952 to 1957, but in the fall of 1957, there was legislation placed on the statute books which changed circumstances considerably. The advance payment, or at least the cash advance on farm stored grain, enables the farmer now, if he finds he cannot sell, to apply for a cash advance on the grain that he cannot sell up to a certain amount, which is usually sufficient to carry him through and to take care of his bills. The farmers are fairly well aware of what prices are involved, and of what their final payments are going to be.

I produce grain myself and have a number of feed mill operators and private feeders who come to me and offer to buy grain. But I sell only when I feel that the price bears some resemblance to the price that I would get from the Canadian wheat board. So the argument that he sells it at a depressed price is not true.

You said that until August 1960 the sale of feed grain to local mills was forbidden. This is not a fact. This is not true. Feed mills have always been able to buy from the Canadian wheat board. And I mean licensed or unlicensed mills. The only thing is that their applications must be made under the quota system.

Ontario farmers have always been able to buy from the producers in western Canada, and there has never been a regulation preventing them from doing so.

Mr. LANGLOIS: I think on occasion it is still being done. They can sell at a lower price, and I will tell you why. I saw it done last fall. Do you know what is the initial payment on oats? If you have to start building storage bins for those oats, you would have to sell thousands of bushels and it would cost you thousands of dollars to build storage bins on your farms to store it there. The farmer is better off to sell it at 15 to 20 cents below his price, not the cost price but what the wheat board would give him, and not to build that storage bin which will tie up four to five hundred dollars. My question is: Why do you sell oats cheaper than you can sell to the wheat board? They say that they have to build a storage bin.

The CHAIRMAN: Mr. Jorgenson, I think your remark was confined to the fact that there was no restriction in the province.

Mr. JORGENSEN: There are a few points that I think must be made here. I do not want the witness to go away unless he has these points straight in his mind. In 1960, when the regulation of the board was changed to permit feed mills to purchase grain on behalf of feeders and to re-sell it to them, a regulation was also passed. The agreement states that the feed mills must report to the Canadian wheat board on how much they purchase and on the price at which they purchase, so in the wheat board there is more regulation now than there ever was before with regard to feed grains. Your argument that the regulations have been taken away is not in fact true. There are more regulations today. The wheat board has more control over the sale of wheat grains than it ever had.

Another point that might be of interest to you is that of the quantity of feed grain produced in western Canada about 75 per cent is consumed there.



Of that quantity approximately one per cent goes through the feed mills and the remainder of it is direct farmer to farmer transactions or through the Canadian wheat board, which has always been the case.

Mr. SOREL: Is there a control on prices in this situation?

Mr. HORNER (*Acadia*): There never was.

Mr. SOREL: The wheat board prices are controlled, but outside is there any control of prices? Is there anyone to control the prices at which a producer can sell?

Mr. JORGENSEN: There certainly is because feeders purchasing feed from the producers have always negotiated the price with the producer of the feed grains. Your suggestion is that the feed mills are exploiting the farmer. Feed mills cannot do this because there is nothing stopping the feeder from going to the producer, purchasing his grain, taking it to the feed mill, having it processed, and taking it back home. This is what they would all do if they were not able to get it directly from the feed mill. What the wheat board has done in the regulation was to simply make it easier for the smaller producers to purchase their supply of feed grains by going directly to the feed mills.

Mr. SOREL: You say that everything is controlled, this 10 or 15 per cent is controlled. Let us then stretch your theory and let everybody trade freely.

Mr. JORGENSEN: May I ask you, sir, what quantity of feed grain is produced in eastern Canada and what quantity is controlled by some agency? You produce in eastern Canada something like 80 per cent of your total requirements; is that not a fact? I think the figure is closer to 35 per cent in the Province of Quebec.

There is no board to prohibit the transaction of a sale between a producer and a feeder. Is this not a fact?

Mr. SOREL: It is a fact but we are in a trade where there is not enough produce. Supply is not sufficient. In free trade once supply is insufficient, there is no danger, but when there is a surplus, that is when there is a danger. Our grain producers are still purchasers of grain.

Mr. JORGENSEN: In the matter of straight justice, do you not think the same type of regulation that applies to one part of the country should apply to another part of the country? This is in effect what we have done.

Mr. SOREL: (*Interpretation*) In a place like the east where there is a dearth of grain, there is no danger in this free sale, but when you have a surplus, there is a problem. We cannot get supply even in local markets. We have to buy 30 or 40 per cent of our supplies outside.

Mr. JORGENSEN: In effect there are areas in the province of Ontario that are surplus feed producing areas. I am asking you this question: Are there any regulations which prevent a surplus producing area within a province selling to deficiency producing areas? This is what you have within the province. Take my own constituency, the eastern part of my constituency is a serious feed deficiency area. The western part produces a surplus. What you have is a movement of feed grains from one area to another. You have the same thing within the province. In the province of Ontario, for example, you have surplus feed producing areas. You have surplus feed producing areas in the province of Quebec, so you have the same movement of feed. I see absolutely nothing wrong with it. I think this is what should happen.

I would like to ask Mr. Clark if the federation has any comment to make on this particular situation. I noted it is not contained in your brief. Are Mr. Sorel and Mr. Perrault members of the Canadian Federation of Agriculture? They are down here as representatives of the Canadian Federation of Agriculture.

Mr. KIRK: The position is that we have never adopted a resolution endorsing or rejecting this change of policy. I would only add to that, that as is well known of course there are differences of view on this question and there are people within our organization who take a different view from the one taken by the co-operative federation for some of the reasons you mentioned. Our position is that we do not have a policy and we are the kind of organization, as I think you understand, where differences do exist, and we tolerate those differences. I think this is the right way to run such an organization.

Mr. OUELLET: Inasmuch as the steering committee are supposed to have a meeting following this meeting, perhaps we should adjourn.

Mr. HAMILTON: Could we not close this off with a note of sweet reasonableness?

The CHAIRMAN: Mr. Perrault has a comment which he would like to make.

Mr. PERRAULT (*President of the Co-opérative Fédérée*): I would like to bring a few points to the attention of Mr. Jorgenson. You were referring to the local grains produced in the province of Quebec. The estimate I have is of the total requirements bought by the local feed mills the local oats or grains amount to just barely 5 per cent. That is all it is.

Mr. JORGENSEN: One per cent in western Canada.

Mr. PERRAULT: The distinction is this, that in the eastern part of the country, especially in Quebec and probably in the maritimes, the grains do not measure up to the quality of the grains imported—which is not a correct expression—from the western provinces. I think that when we study the situation we must take all the factors into consideration and the various differences between both markets. That is all I wanted to ask.

Mr. HORNER (*Acadia*): What is the price of your local grain? Is it 5 per cent that you pay?

Mr. SOREL: The western grain sets the price.

Mr. PERRAULT: I could refer this question to Mr. Drouin.

Mr. DROUIN: I presume that the laid on price of western grain is the determining factor in establishing the price.

Mr. HAMILTON: What I wanted to say to Mr. Sorel was that this problem of basic feeding that goes on in both the east and the west has certainly been in the minds of the people in Ottawa. I would like to point out that the two things that Mr. Jorgensen has said were done to try and alleviate too great a discrepancy on the basic costs of feeding in the two parts of the country. There was no doubt about it, that approximately 90 to 100 million bushels of grain were bootlegged in the days of surplus which did not appear in the wheat board operations. This is what you are referring to in the individual transactions between farmers.

Secondly, the feed mills have always been a very small operation in western Canada. The point I was going to make is that with the innovation of cash advances, the pressure on farmers to make disaster sales was largely taken away; and thirdly, this was reinforced by putting the feed mills under the control of the Canadian wheat board, by making them report their price, which must be posted on their walls, to the government in Ottawa once a week. Evidence to the committee two weeks ago was that these prices are now higher at the feed mills than they are to the wheat board. In other words, feed mills have to go above wheat board prices to get the grain. There are several reasons for it. What I would like to suggest to you today is that we as a committee here are trying to bring relative equality to both sections of the country. I am simply saying that with respect to the pressure you see in this committee towards setting up some sort of eastern feed grain board, western

members of this committee know they are doing this in opposition to the requests of the feeders in western Canada who claim that the feeders in western Canada think the government is, by feed grain subsidy on freight rates and on the payment of storage, using the taxpayers' money to subsidize the eastern feeder against the western feeder. Yet members of the committee who are from the west support this strongly because we would like to see some lift in the income of the farm population of eastern Canada.

The argument you have put forward about this business of free buying between producers and feeders in western Canada have largely been displaced because of the change in the legislation, in the regulations, and, secondly, because of the fact that every farmer in the west knows there is such a demand for his products that he is not going to sacrifice his grain. The situation you referred to took place a few years ago, but it is not true now.

Mr. VINCENT: I have a question to ask of Mr. Kirk. The U.C.C. is a member of your federation. Is that correct?

Mr. KIRK: Yes sir.

Mr. VINCENT: I think that the question raised by Mr. Sorel is very important. Why does not the federation of agriculture support the point of view expressed by the farmers in my province?

Mr. KIRK: Because there are differences of view within our organization. This goes on in many connections.

Mr. VINCENT: This is a big problem for us, if there is a difference of view between farmers on this question.

Mr. KIRK: Let me say this on the point, the differences of view I think relate really to the analysis of the effect of the policy. They do not relate to a simple difference of view as to whose interest should be served.

The CHAIRMAN: I think we can justify being a bit late because we want to deal with the point that Mr. Sorel and Mr. Perrault made. This afternoon Mr. Kirk will be back and I have on my list Mr. Danforth. We will start on that basis after lunch. I would like to thank Mr. Sorel and Mr. Perrault and those who are with him.

Mr. ASSELIN (*Richmond-Wolfe*): What time is the meeting?

The CHAIRMAN: After orders of the day. Thank you.

## AFTERNOON SESSION

TUESDAY, December 10, 1963.

The VICE CHAIRMAN: Gentlemen, I see there is a quorum. Mr. Honey asked me to make his apologies since he will not be able to be present this afternoon. He had to go back home, so he asked me to take the chair in his place. Before we carry on I would like to read you the minutes of the subcommittee meeting that was held at the lunch hour, and ask for your approval. The minutes read as follows.

(*See Minutes of Proceedings*)

This is a report from the subcommittee meeting which was held today.

Mr. JORGENSEN: You mentioned one organization which I would like to have clarified. I think it was the association for the development and protection of eastern agriculture. What does that consist of?

The VICE CHAIRMAN: I am not familiar with it.



The CLERK OF THE COMMITTEE: If I may be permitted to explain, this is an organization in the eastern townships of the province of Quebec. They want to present a brief and they want to discuss the general aspects of eastern agriculture especially the poultry industry.

Mr. JORGENSEN: Are they an association of farmers or of millers?

The CLERK OF THE COMMITTEE: It is principally an association of farmers.

Mr. LANGLOIS: Mr. Chairman?

The VICE CHAIRMAN: Mr. Frank Howard and the Montreal Corn Exchange have expressed a desire to appear before the committee.

Mr. LANGLOIS: I would like to add to that list, if I may.

The VICE CHAIRMAN: I would like first of all to ask if this report is to be adopted.

Mr. LANGLOIS: Very well.

Mr. PIGEON: When will the U.C.C. and the co-op return again?

The VICE CHAIRMAN: They appeared this morning. I imagine if we do carry on with what we have decided to do here and ask for leave to have the committee reconstituted, and to carry on with the same study, we could invite them back again.

Mr. PIGEON: Mr. Sorel told me this morning that he had a brief to present here.

The VICE CHAIRMAN: Do I hear a motion to accept the report of the subcommittee?

Mr. HORNER (*Acadia*): What was the report of the subcommittee? I am sorry that I have arrived late.

The VICE CHAIRMAN: I hereby pass it over to you to read. It has now been moved and seconded that we adopt the report.

Motion agreed to.

I believe Mr. Honey was supposed to leave me a list of the people he had recognized to ask questions of Mr. Kirk. I only remember the first name, that of Mr. Danforth. I cannot remember the others. So I shall now ask Mr. Danforth if he would like to proceed with his questions at this time, and then I will carry on with anybody else.

Mr. LANGLOIS: I have a motion I would like to make.

The VICE CHAIRMAN: You wish to request further witnesses?

Mr. LANGLOIS: Yes. I have a motion, but first you may deal with the questions.

The VICE CHAIRMAN: Please go on.

Mr. LANGLOIS: I move, seconded by Mr. Gauthier that the National Association of Millers with their experts from various regions appear before the members of this committee.

The VICE CHAIRMAN: I have a motion before me. It is moved by Mr. Langlois and seconded by Mr. Gauthier that the National Association of Millers along with their experts from various regions appear before the members of this committee. You have all heard the translation. Is there any objection to this motion?

Mr. DANFORTH: If it is agreeable to the hon. member may I suggest that this motion be held until the conclusion of this afternoon's proceedings because there might be other things he would wish to include in it after hearing the witnesses.

Mr. LANGLOIS: Is the principle of the motion accepted by the members now?

The VICE-CHAIRMAN: We will allow it to stand and I shall bring it up again before we adjourn this afternoon. Now, Mr. Danforth.

Mr. DANFORTH: Mr. Chairman, I am sure we all consider the proceedings of this committee to be of the utmost importance. Especially because of the controversy over the prices that are being paid in the east for feed grain. Therefore I would like to apologize to the witness who has had to wait because of lack of a quorum both this morning and this afternoon, and I would point out that out of a quorum of 20 there were 13 Conservatives here on time this morning, and out a quorum of 20 there were 15 conservatives here this afternoon in order to hear him. I think it is only fair to the committee to point this out.

Now, sir, as I pointed out this morning, my interest is somewhat different because I come from a part of Ontario in the east here where we do have a surplus grain problem or a problem in connection with the disposal of our grain. So we are very much concerned when we hear evidence of the difficulty further east to obtain supplies, and having to pay what they consider to be abnormally high prices for feed.

Therefore, sir, I would like to ask if I might put a series of short questions pertaining directly to this subject. First, my understanding of this is that the Canadian wheat board is responsible for the grain to the lakehead, and then the grain that is moved into elevators in the east is purchased by brokers and grain firms in the east for storage and subsequent disposal to feeders in various areas. Am I correct in that assumption?

Mr. KIRK: Yes, that is the position; certainly it is the principal position for oats and barley exclusively. I think occasionally some grain does move to eastern Canada under the wheat board, which ultimately is sold in eastern Canada, but that is an exception.

Mr. DANFORTH: Am I correct in assuming that the federation of agriculture is in a position to believe that the people who are the sole owners then of these stored quantities of grain, in the east are in a position—I am not asking you to commit yourself whether it is so or not—to ask prices for the grain which in the consideration of the feeders might be thought to be abnormal prices, or giving them more than a normal profit on this grain? In other words, are they in a position to speculate on the price of this grain?

Mr. KIRK: Well, sir, if before the close of navigation the amount of supplies for the winter period proves, in the judgment of whatever committee, or in the judgment of the trade—to be short, or if in the immediate judgment of the trade it is considered to be short at any subsequent time during the winter, well then of course you have a shortage of supply, and the price may move upwards for those supplies in eastern positions. It can move upwards over what you paid for it, or perhaps over the lakehead price. And, the price can move upwards over what was paid for those supplies in eastern positions, or perhaps over the lakehead price, subject to two limitations: one being that it cannot move upward beyond the extra cost bringing it down by rail and, secondly, there are limits to it moving upward in reference to the availability of other feed supplies such as corn, for example, and the price at which those supplies are available. There are some competitive limitations to price increases, under those circumstances.

Mr. DANFORTH: Then, in your considered opinion would you agree that the policy of the former government in respect of the application of \$5 per ton freight assistance to corn moving from Ontario into the eastern feed markets was a move in the right direction? Would it do anything to maintain stabilized prices in the east?

Mr. KIRK: Incidentally, it was a \$5 payment on a shipment of corn not necessarily from Ontario. This policy was instituted because under the conditions which followed that crop failure in 1961, it was felt that a physical shortage of supplies was disadvantageous, and the rise in the price was disadvantageous to the maritime provinces particularly because they did not have access to the same transportation cost terms in respect of corn, you see, as an alternative and, under these conditions, this subsidy was applied. It is my understanding that it was applied in light of this shortage situation.

I am not aware of a suggestion that this particular stratagem be a permanent policy because it takes this particular acute domestic shortage, you see, to create this special disadvantage to the maritimes. Under more normal circumstances they could utilize wheat, oats and barley without experiencing any particular disadvantage by not being able to bring corn down.

Mr. DANFORTH: With this \$5 freight assistance does it not put the producers of corn in Ontario in a better competitive position in the maritimes in respect of the importation of American corn by boat? I may be subject to correction here but, as I said, that was a subsidy on corn. It was not on Ontario corn.

Mr. DANFORTH: Well, I am speaking of corn.

Mr. KIRK: I know but it was on any corn, be it Ontario or American, and I think that most of what did move was United States corn.

Mr. DANFORTH: I know there was a tremendous amount of Ontario corn moved out.

Mr. KIRK: Was there?

Mr. DANFORTH: Is it not a fact that this \$5 assistance would put Ontario corn growers in a better competitive position in respect of the importation of millions of bushels of American corn into the maritimes? Perhaps I could get at it another way; as a committee, we are interested in the methods of stabilizing prices to eastern feeders and since the amount of grain is held in the hands of a group of grain dealers and brokers they are more or less then in a position to ask whatever price the market will stand, and one of the means of creating competition or keeping the price from going too high is the availability of other sources of corn. I think you will agree with me on that. Then, there are two sources of grain, either imports from the United States or by rail from western Ontario, grain moving in from the lakehead by rail. These are two ways of moderating the price and, as a producer and one who is interested in Ontario corn, I am far more interested in the feeders in the east having their prices stabilized by Ontario grain rather than United States grain.

In the opinion of the federation would this subsidy combat the importation of the tremendous quantities of American corn or is there some other factor involved in the usage of millions of bushels of American corn in eastern feed lots?

Mr. KIRK: Of course, I would think it would be possible to put a subsidy on in respect of Montreal and maritime points, and the result of that subsidy, depending on the size of it, would give that much more advantage to Ontario corn. A good deal of this would depend on the size of the subsidy, and just exactly what the feed was.

As you know, the recommendation of the federation was that there should be provision for the assisted movement of such grain from Ontario to Quebec and the maritimes. I think our thinking on that was that the purpose of such provisions and the way they are set up should be designed principally to ensure that Ontario grains do not suffer unreasonable price declines, price declines that are unreasonable in terms of the basic market situation and what should be its competitive position with imported grain. There should not be



a harvest time glut complicated by storage difficulties which might cause a local decline in the price. The purpose of the subsidy should be to prevent that type of price decline. We thought of it somewhat in terms of an emergency policy with the general idea that, on the whole, Ontario grain is not a surplus grain in the basic sense, that there are importations, and that the country is in a deficit position in respect of these grains. Certainly eastern Canada is. And, it should be able under normal circumstances to realize a price fully competitive with the cost of bringing in alternative sources. But, we did think there could be periods, particularly harvest periods, when you get severe local price declines that could be helped and, perhaps, corrected by a transport subsidy.

Mr. DANFORTH: I understand, sir, that your association does represent all of Canada, as your brief indicates. I would like to know the thinking of the federation in regard to this Ontario situation because it does tie in with these stabilized prices in Quebec, the maritimes and British Columbia.

What I am concerned about is why is it when we are in a surplus position in Ontario—and I am speaking of wheat and corn, and soybeans—that the growers have to be assessed a definite sum of money to take this surplus not only off the market but to find export markets for our Ontario grain overseas when they are in a deficit supply of grain in Quebec and the maritimes. This is a somewhat unreasonable position.

One could say we are in a glut in our harvest season and the statement has been made that if there is not sufficient grain in lakehead storage, or in port facilities in Montreal and the other large storage centres, the grain falls because of a surplus in our area. I cannot understand why there is not space available in these harbours when we have a glut, while at the same time the price in the maritimes, after navigation closes, as well as in Quebec, rises drastically, yet we have surplus grain in Ontario. I cannot get this through my head. Why should there be this drastic increase in the price in the maritimes while at the same time we have to subsidize the movement of our grain out of Ontario even at market prices? This does not add up. I cannot see why this is necessary. Why should the farmer and feeder have to pay at both ends? Where is the resistance? Your federation has looked into this problem. Can you tell me where this resistance is built up? Are the brokers and grain handlers at the terminal elevators resisting this inflow of grain so that they can build up an artificial scarcity of supply, or what does the federation think in this regard? This is something that troubles us here in Ontario, particularly when we hear of the deficiency of grain in Quebec and the maritimes. We have enough grain but we cannot sell it unless we subsidize the sales.

Mr. KIRK: I am very much afraid I am going to have to say, because it is true, I do not know the answer to that question. Probably I should know the answer but the fact is, when you ask me why it is necessary to subsidize grain for export from a deficit area, and that is what you are saying, taking your description of the situation as being accurate, I do not know.

Mr. DANFORTH: I am sure you are aware of the fact that the soybean growers and wheat growers both subsidize export sales from Ontario?

Mr. KIRK: Yes, I have understood that to be the situation.

Mr. DANFORTH: There is a surplus of corn always in storage in most parts of Ontario.

Perhaps you could answer this question. Can you tell me how much United States corn comes into the maritimes and the east as feed? I know this figure is in the neighbourhood of seven million or eight million bushels in respect of the maritimes. Can you enlighten me in that regard?

Mr. KIRK: It has been my understanding that normally the movement has been quite light into the maritimes for feed. There is quite a regular persistent movement of corn into Quebec but this varies very much in quantity.

Mr. LANGLOIS: It was 35 million bushels this year.

Mr. KIRK: It was 35 million bushels?

Mr. JORGENSEN: Mr. Chairman, I should like to make a suggestion. We have with us here this afternoon Mr. Phillips from the Department of Agriculture. He may be familiar with some of these figures, and perhaps he could come up to the front table and give us this information.

Mr. DANFORTH: I would be very interested in having these figures placed on the record.

The VICE-CHAIRMAN: Mr. Phillips, would you like to join us here and answer some of these questions?

For the benefit of those who do not know Mr. Phillips, he is with the Department of Agriculture and, I am sure he is qualified to answer these questions for you.

Mr. C. R. PHILLIPS (*Director, Plant Products Division, Department of Agriculture*): Mr. Chairman, perhaps I could deal with the first part of Mr. Danforth's question.

I believe he asked why the price of grain is high in the maritimes when the Ontario producers subsidize the export of wheat?

Mr. DANFORTH: Yes, that is right, but I also included soybeans in the question.

Mr. PHILLIPS: I think soybeans apply to a limited degree.

Dealing with the second part of your question in which you assumed there was a high price in the east, the Ontario wheat marketing board, which is a producers' organization, under Ontario legislation supported by federal legislation in respect of the going price in the domestic market, is able to negotiate a price with the millers of Ontario in the case of the export price, is able to obtain a negotiated price in the case of a support price under the agriculture stabilization board, and it is the desire of that board to sell wheat for milling purposes. There has been, on a rare occasion, a sale of wheat from Canada for feed purposes. That was particularly true in the winter of 1961-62 after the drought year. They sold it in eastern Canada far enough out of position that it could not get back into a flour mill. They sold it out of Kingston and Prescott for that purpose. Generally speaking, they did not sell it in Canada for fear this would break their price which had been established by negotiation.

That is one answer to part of the question you asked.

The other part of your question was, would a subsidy on Ontario corn of the type you had in the past increase the utility of Ontario corn as distinct from United States corn?

Mr. DANFORTH: Yes.

Mr. PHILLIPS: The subsidy was \$5 per ton. The cost, about a month and a half ago, because this is the tailend of the shipping season, and rates are higher, of shipping corn to Halifax from Chicago would be of the order of \$4.85 by water. The cost of shipping a ton of grain to Moncton from Chatham would be of the order of \$10.

The question then arises, why can they not ship by boat? This brings us back to the same question that Mr. Pigeon had in mind. Boats would have to be loaded at Port Stanley, Sarnia or Wallaceburg to be shipped down there. I would judge from past experience that the cost of loading a canaller and moving the grain to the market from Wallaceburg would be in the order of \$13 a ton.

At the time the policy was instituted it was designed to help the maritimes because of the conditions which have been mentioned. It was determined that \$5 per ton would be sufficient to eliminate the differential between corn at Montreal and corn in the maritimes.



To do this same thing today in respect of Ontario corn would cost in the neighbourhood of \$16 per ton. To the extent that corn was used in the maritimes, assisting the maritime feeders, it increased the market for corn, and to that extent assisted Ontario producers of corn.

Does that answer the question? I am not sure I have covered all angles of the question.

Mr. DANFORTH: You referred to the shipping of corn by boat. What would happen when the navigation season closed, and that is when we begin to harvest our corn? I am interested in the movement of Ontario corn and our corn is not available until approximately six weeks prior to the closing of navigation.

Mr. PHILLIPS: That is correct, and the harvest in Ontario was particularly late this year. I believe there is some Ontario corn still left in Montreal. There is a good rate in terms of wheat and corn to the producers in Montreal, which I believe is 23 cents per bushel, but 23 cents per bushel brings the cost up around \$7 per ton. In other words it is cheaper to ship corn from Chicago to Halifax than it is to ship by rail from Chatham to Montreal.

Mr. DANFORTH: I am referring to that period of time after the navigation season closes.

Mr. PHILLIPS: What happens, as you know, Mr. Danforth, because of the reasons Mr. Kirk has mentioned, is that when they have a big corn harvest in Ontario, they only have so much crib facilities on their farms and they sell the excess at distress prices. This happened particularly last year when they had such a big harvest, but they may be in a better position this year. It is at that time and that time only that there are distressed prices. People are putting it in store for winter use, in Montreal, Prescott, Kingston, not to mention the western Ontario elevators.

Mr. DANFORTH: Is it not a fact that before the navigation season closes the terminal elevators do load up with United States corn, and when we harvest there are no storage facilities available?

Mr. PHILLIPS: Evidence has already been given to this committee that under the licensing procedure of the board of grain commissioners the elevators in eastern Canada are allowed to have a certain proportion of their space occupied by American grain, and this licence extends two weeks or so after the opening of the navigation up to several weeks before the close of navigation. All American corn or other grain which is designed for export has to be out. This allows some American corn for feeding purposes in Canada to be stored, but by the same token Canadian corn is accepted into these elevators.

Mr. DANFORTH: There is a supply of American corn there. The point of my question is this, I am suspicious of the fact that there is a tremendous quantity of American corn placed in these elevators and that the close of the navigation season makes our freight rates so high for getting corn into the maritimes that the man who sells his corn takes advantage of that drastic increase in freight and sells this American corn at the laid price of our corn, and makes a very substantial profit on the transaction. I am wondering if this would be a factor in the tremendous use of American corn on our potential markets east of us here.

Mr. PHILLIPS: I am not sure that I can answer your question, but I will try in this way. The fact of the matter is that American corn, or any corn, was in great demand in 1961, up until this summer because it was the cheapest grain available in Canada, not because it went down, but because Canadian grain went up. Therefore, they bought American corn. This year American corn went up and Canadian grain prices went down, and the demand was for Canadian grain. Even Canadian wheat was cheaper than American corn. During the last



three weeks American corn prices have come down, and there have been people trying to bring in American corn for the winter to supplement what they can get from Ontario because they were unable to get what they considered adequate quantities of wheat, and because the price was right.

Mr. DANFORTH: Can you give me an estimation of the normal quantity of American importation of corn coming in?

Mr. PHILLIPS: I can give you an estimation of the normal quantity which was brought in prior to 1961. If my memory serves me correctly, it was in the order of 14 million bushels, of which about 10 million were used for industrial purposes and 4 million for feed purposes. I also noticed in the statistics, when I was looking at them, that there came a period when the first increase applied above that figure, and it went up by 4 million bushels because Ontario farmers delivered that many fewer bushels for cash. The additional quantity came in to replace what Ontario farmers decided to feed on their farms.

Mr. LANGLOIS: What was the importation last year?

Mr. PHILLIPS: Around 35 million.

Mr. LANGLOIS: Is there any reason why there was so much last year?

Mr. PHILLIPS: Because it was the cheapest grain on the market.

Mr. DANFORTH: Does American corn come in from ocean ports along the coast of the U.S. when our navigational season is closed so that they can get corn at a much cheaper freight rate than we can overland?

Mr. PHILLIPS: The year that this special assistance was on it occurred, and it might possibly occur this year from Portland to Halifax.

Mr. DANFORTH: In other words, we are faced with this problem. The basis of these questions is the fact that these men control the grain in eastern Canada, and the only way that we as feeders can get a reasonable price is to have available other sources of grain. What I am trying to find out is how many sources of grain we have and what stabilizing effect it might have on the prices. From your answers I would take it then that in Ontario, because of our heavy freight, had we surplus grains on our farms we would not have much of a stabilizing influence in Quebec and the maritimes. Am I correct in that assumption?

Mr. PHILLIPS: Yes, because the facts of the matter are that while Ontario has a surplus, Ontario must import 20 per cent of its requirements. Ontario is a grain deficient province, and therefore there is a market much closer than Montreal for grain in Ontario.

Mr. LANGLOIS: What is the reason for exporting it to Quebec, if you are short of it in Ontario?

Mr. PHILLIPS: Because this is what goes on.

Mr. DANFORTH: A lot of our grain is used commercially in Ontario, which takes it off the feeder market. This is quite a factor in Ontario. I am speaking of the feeder proposition.

Mr. PETERS: I have a supplementary question to this. Is there a regulation that will stop the broker from selling export grain from American sources to the retail trade, the feed mixes, et cetera, if the price is right? In other words, if he adds to local production the cost of freight, this may bring the local produce up much higher than the export price. Is he allowed to take this out of the elevators out of what you would call the bonded storage for retail sale? Let us say that at Baie Comeau you have four or five million bushels of corn designated for American export to be stored in Canada. The broker who hauls that, being either American or Canadian, found a ready market in the retail field in Canada. Can he sell it?

Mr. PHILLIPS: The answer to that is yes, he could sell it, but he would have to go through the revenue and change it from "in bond" to "delivery" to the domestic market.

Mr. PETERS: There is no particular cost in doing that, is there?

Mr. PHILLIPS: No.

Mr. DANFORTH: I would like to carry on with my questioning for a moment. Whenever a suggestion is made that perhaps lack of storage space in the maritimes and in Quebec is a factor in this high price of feed grain, we get representations from the grain interests stating that the elevator capacity is perhaps sufficient and that this is not the answer. This leads me to believe that perhaps there is excess profit and a good business in the grain in this particular area. Is it the feeling in the Federation of Agriculture that their recommended agency, with no legislative power but only in the capacity of adviser, would be able to overcome any local interests in this matter? I am a bit concerned about this agency which is recommended having no teeth in it, and being only in an advisory capacity. I fail to see how it could serve a purpose, if it is the commercial interests which are responsible for this inflated price. Since you no doubt have gone into all aspects of this very thoroughly, you surely must have an answer to this.

Mr. KIRK: Well, Mr. Danforth, you premise your question on what to me appears to be an assumption there is always an inflated price in eastern Canada in the winter months. It is not clear to me this is always so.

Mr. DANFORTH: I understand from your remarks that there are periods of time when the eastern feeders pay as low a price as the westerners and the grain feeders in Ontario. Is this a fact?

Mr. KIRK: Now you are raising the question of what we mean by inflated price. If you are implying it as having some particular type of comparison across Canada, I do not know what you refer to. The kind of inflated price we recognize in our brief as occurring is one where a premium in the price is created over what we consider to be the basic market level.

Mr. DANFORTH: I will accept that definition of it.

Mr. KIRK: This kind of premium occurs when there is a shortage either at the lakehead prior to the close or in eastern Canada after the close which is such that it forces the price up over this basic market level. It is our hope that these provisions for the payment of eastern storage and the provisional prices together will go far towards eliminating this.

I do not think it has been true that this premium always has occurred; that is, I do not think there always has been a shortage in eastern Canada and an excessive price in the terms in which we are defining it in eastern Canada. It is not clear to me that there always will be in the future. If the situation under present policies is such that this inevitably every year is going to occur, then I think further steps will have to be taken. This is not clear to us.

Our recommendation is that together with these policies which have been established we set up an agency which, through study, advice and consultation, would facilitate a smooth check on that movement the way it should be. If that agency should find, with experience, and under these new policies, that we are getting into a chronic serious situation of premium prices being paid by eastern farmers as compared to basic wheat board levels, then I think this would indicate future action would have to be taken. It is not clear to me what is the situation now.

Mr. DANFORTH: I think you really are an optimist when you look at an area which produces only 5 per cent to 10 per cent of our basic requirements, and which is a brokerage area where fees and charges are taken, and think

there is not going to be a premium price paid for grain. Should the agency find these actual deficiencies are artificially created for the specific purpose of increasing the profit taken on grain, what can they do about it?

Mr. KIRK: The agency as we have recommended it has no power of action in terms of intervening with authority in the pricing or the movement of grain; I quite agree with you.

Mr. LANGLOIS: I think in the amendment I brought in this morning, it is not an advisory agency but rather a controlling agency which would have something to say. It depends whether or not that is accepted.

Mr. DANFORTH: I would like to have this specific point cleared up. As I understand it, this agency, if it were set up, could be in an advisory capacity only as it is being recommended by the federation, and should it find that the discrepancies as outlined are working as a definite hardship to farmers, in effect it has no power in itself but must bring representations to government or other agencies and ask that action be taken. Am I correct in that assumption?

Mr. KIRK: That is correct.

Mr. DANFORTH: Then may I ask why, when the federation is aware of the basic problems and the difficulties at this time, it did not recommend an agency with more power of action such as outlined by my hon. friend? This is something I fail to understand. The federation has requested an agency, and yet it seems to me the agency would have no power in its terms of reference to take any action; it is incapable of doing anything.

If governments are normal, I can visualize that if a recommendation is brought in from the agency there would be several months elapse before anything definite could be done. Why was something more progressive not brought forward by the federation at this time? There must be a basic reason for it, because generally you have a reason for what you do. May I ask why you did not come forward with a recommendation that the agency have definite power of action?

Mr. KIRK: Because, with all respect, sir, I think in asking this question you are suggesting the existence of exceedingly serious problems of a nature that so far as I am concerned are not defined. We are not at all clear that there are difficulties in this situation which, under present policy conditions, will exist of such a severe and impractical nature under conditions of the best co-operation by all the agencies concerned to meet them, that they will, in spite of that, persistently result in what you really are suggesting is exploitation of the farmer in the price of grain, in a form which is reflected not in the price of the grain as sold by the western producer, but is reflected in essentially an exploited margin in western Canada. Is that your position?

Mr. DANFORTH: Yes.

Mr. KIRK: It seems to me to be your assumption that the exploited margin not only does exist, but will exist, and that you are quite certain of this.

Mr. DANFORTH: Yes.

Mr. KIRK: I do not think this is at all clear to the federation.

Mr. DANFORTH: Did the federation, in making its calculations, base those calculations on the wheat board's price at the lakehead and the sale of grain from elevators in the east, or did it base its investigations on the difference in prices between the prices at the lakehead and the price of the manufactured product that the farmer buys in the east, which is a very different basis in respect of the pricing? What I am speaking of is this. When a farmer buys a manufactured feed at 6½ cents a pound it is a far different cry from the sale of grain at the lakehead, and although there are other ingredients that would



put up the price of grain, the farmer is not satisfied that he is not paying a premium price on the bare essential grain itself.

Mr. HORNER (*Acadia*): The same exists in western Canada on manufacturing feed.

Mr. LANGLOIS: On screenings?

Mr. HORNER (*Acadia*): There is a little alfalfa and a little grain.

The CHAIRMAN: Order, gentlemen.

Mr. DANFORTH: I do not want to usurp the function of the Chair, but I am concerned about this. You are apparently a representative of the federation. From your statements it appears that you are not certain in your own mind that there are premium prices paid in the eastern provinces and I can agree with that, but I wonder what your price calculations are based upon. Was it followed through to what the feeder actually paid for grain? There would in that respect be a difference.

Mr. KIRK: In the first place let us be clear that we have talked about two different kinds of premium or spread. One is the occurrence of an increase in the price, which has nothing to do with charging of marketing margins; it is an increase in the price that has occurred from time to time in eastern Canada. That is one thing. It is to eliminate those increases in the price over what we consider the basic wheat board level that we have these new measures. The second part of it, the question whether or not the persistent regular marketing margin taken by the trade in the handling and processing of feeds is excessive. I do not have the figures here, but when in the past we have tried to identify the elements in this margin between the lakehead price and what it is sold for in some form or other in eastern Canada, we have found the elements are identifiable; they are there; and they are elements of cost. The feed business, in terms of marketing margins and prices charged for services and for handling and so on, does not tend to be a high profit margin business; it tends to be a very low profit margin business. This does not mean that there may not be waste in the way it is done; I could not go so far as to say this because I am not an expert on the feed business. I cannot therefore say whether waste is involved. I do know in all of eastern Canada our cooperative organizations are successful competitors. There is competition in this business. It is on the general picture I have from them that I base my suggestion that the feed business is not a high profit margin business. I think that really is my answer to your question.

Mr. DANFORTH: Mr. Chairman, I would like to thank the witness for his courtesy, and pass.

The VICE-CHAIRMAN: I have on my list Mr. Horner and Mr. Jorgenson.

Mr. JORGENSEN: My questions are related.

The VICE-CHAIRMAN: Are your questions related to this line of questioning?

Mr. HORNER (*Acadia*): They are related to the line of questioning in regard to the Canadian feed grain policy.

Mr. Kirk, you are well aware of the report by Dr. Havers. Would you agree that to some extent there may be a basis for Mr. Havers' charge that this feed grain policy may bring about poor farming practices? I am not saying it does. I am asking if there is some basis for this, or is he completely wrong?

Mr. KIRK: First of all I should, I think, make it clear that if the eastern Canadian agriculture is losing vast quantities of money every year through the

feed-freight assistance policy, I think the federation would quickly say that it has no vested interest in the continuation of that loss. I want to be clear about that.

Mr. HORNER (*Acadia*): I just want a yes or no answer. Is there some basis or is there not?

Mr. KIRK: As a background to my remarks I would say that to answer the question of whether it contributes to poor farming practices, I would like a little better definition than I think I have of the term "poor farming practice". If it is meant that it contributes to less than a maximization of production on a big piece of land, I do not know if—

Mr. HORNER (*Acadia*): This is the charge he makes here.

Mr. KIRK: This is not necessarily a sound definition of poor farming practice. If he makes less money by more intensively producing from a big piece of land, then it may very well be that it is poor farming practice to undertake that production. The point I am making, Mr. Horner—and I am not trying to be tricky about this—is that I am not quite clear; and I am speaking as frankly and honestly as I can.

Mr. HORNER (*Acadia*): I will accept your answer as no to that part, and I have another brief question.

The feed grain policy is often claimed in eastern Canada to be a benefit only to the big feeder. Is there any justification for that claim is your view?

Mr. KIRK: No, I do not think that is a justified claim.

Mr. HORNER (*Acadia*): In other words, a small farmer feeding 10 or even five litters of pigs can take advantage and does obtain an advantage from this feed grain policy?

Mr. KIRK: Yes, in so far as he buys freight assisted grain.

Mr. HORNER (*Acadia*): But he does not buy nearly as much of it as a larger feeder? This is the point I am trying to make.

Mr. KIRK: Of course he does not.

Mr. HORNER (*Acadia*): The large feeder does get a bigger slice of the \$20 million.

Mr. KIRK: A large feeder gets more than a small feeder, yes.

Mr. HORNER (*Acadia*): It is a well accepted fact in western Canada particularly—and I want to give you the western view and you can agree with it or not—that we raise the cattle, we produce the grain and therefore perhaps more of these cattle should be fed where the grain is. What is the use of sending the feeder grain down here? The view is that they should be fed at home. This is what happens with the automobile industry. The steel is here, the automobiles are built here, and they are shipped out west. Do you see or hear this opinion expressed very often within your Canadian federation of agriculture?

Mr. KIRK: I have certainly heard the opinion. I do not hear it expressed very often among our officials and members with whom I work, no.

Mr. HORNER (*Acadia*): I have a few more quick questions.

In regard to page 4, item No. 5, how much grain are you referring to when you say "the policy to assist Ontario wheat and corn move out of the province of Ontario"? With how much grain do you think you are dealing?

Mr. KIRK: The answer to that is that we have no amount in mind because the nature of the policy was designed to correct what we expected to be periodic price depressions in essentially temporary conditions. This can occur some years not at all and in other years it can occur to a significant extent. It was not introduced in our minds with regard to moving any precise quantity of grain; it was introduced with the idea of giving a certain protection against this kind of price slump and was not related to any particular fiscal year.

Mr. HORNER (*Acadia*): So you do not know how much corn or wheat in Ontario is moved out of the province?

Mr. KIRK: No.

Mr. HORNER (*Acadia*): Therefore you do not know what you are asking the government to accept in terms of dollars and cents?

Mr. KIRK: We know what we are asking in terms of dollars and cents per ton.

Mr. HORNER (*Acadia*): But you do not have any round figure? With the thought in mind that you are asking the government to pay freight assistance on Ontario wheat moving out of that province, let us look at the item with regard to millings and screenings moving out of the lakehead. Would it not just be as fair to ask for assistance on millings and screenings moving back to the prairies?

Mr. KIRK: Well, this is a policy to assist the movement of western grain to eastern Canada and to British Columbia.

Mr. HORNER (*Acadia*): It is a policy to promote the enlargement of the livestock feeding industry throughout Canada, I hope, and one which includes British Columbia. It facilitates the movement of grain out of the prairies, and it also should not work against the feeding of livestock in the prairies. Do you follow my point? I am taking the other side of the question purposely because I would say there is sound reasoning for it.

Two or three years ago you may remember we had a feed shortage in Western Canada when freight assistance was paid for feed in those temporary years. So this is quite a feasible thing within the prairies themselves. You will remember that freight assistance was paid on grain. So with that in mind, and also having in mind that you are talking for assistance to be paid on Ontario grain, is it not just as logical for freight assistance to be paid on screenings, largely scrap grain, going back to the prairies, since the cars are going back empty anyway?

Mr. KIRK: I think that the general assumption underlying this policy is that the grain exists under most circumstances locally for feeding in western Canada.

Mr. HORNER (*Acadia*): There is no general policy?

Mr. KIRK: You mentioned yourself one instance, and I can think of three years when freight assistance was paid in the province of Manitoba alone. We do not say in Alberta, because Alberta would not go along with the federal government on it. I think so, but the federation apparently does not. Now I have another question with regard to grain movement.

Mr. KIRK: You say we apparently do not. If you are instancing when the freight assistance was given, the circumstances were admittedly particular, and I think, to be fair, they were abnormal circumstances.

Mr. HORNER (*Acadia*): Three years ago in Manitoba is not necessarily abnormal.

Mr. KIRK: I have not any case for an irregular policy on this assisted movement.

Mr. HORNER (*Acadia*): This is only on a year to year basis, this whole freight assistance. There is no legislation and you are asking for it to be made permanent.

Mr. KIRK: Yes.



Mr. HORNER (*Acadia*): I ask for western Canada to receive the same benefit along the same line, and particularly with regard to screenings. At the top of page 5 you say that:

The minimum assistance should be \$5.00 per ton.

How much does it cost by boat per ton to ship grain from the lakehead, let us say, to Toronto? Can you give me a rough answer? We are just dealing in generalities so that I can pursue my questions a little?

Mr. KIRK: I would say between \$2.00 or \$3.00.

Mr. HORNER (*Acadia*): You are talking about a minimum of \$5.00 for the farmer near or around Toronto. I pick Toronto not because I love the people there, particularly, but because the farmers north of Toronto buy a lot of western Canada cattle. North of Toronto there is a tremendous market for feeder cattle or livestock. You are talking about a minimum of \$5.00 a ton from the lakehead for western grain which costs \$2.00 or \$3.00 by water. Therefore those farmers are going to buy more at a drastically reduced price, to my way of thinking. You see my point? And if the same thing applies, they will feed more cattle.

Mr. KIRK: You point out that this is grain that is assisted to a greater extent than the cost of transportation.

Mr. HORNER (*Acadia*): Yes.

Mr. KIRK: That is true in some cases.

Mr. HORNER (*Acadia*): How far can this grain move by water and still have the freight assistance cover the transportation of it? Have you any idea, Dr. Phillips?

Mr. PHILLIPS: Mr. Chairman, the cost of water transportation to Toronto is of the order that Mr. Kirk mentioned, \$2.50 to \$3.00; but, there are not any cattle or livestock in the harbour, and because it has to be moved out of that location there are these additional costs.

Mr. HORNER (*Acadia*): Yes, that is true. Three years ago I trucked grain from northern Alberta and had to pay for it. I had to truck it myself, and I know all about that.

Mr. PHILLIPS: You see, you have to go a little beyond that to determine what the costs are. Then, you have to get it out to the farm.

Mr. HORNER (*Acadia*): Yes, and I know all about that. I may be wrong in this but the other day it was suggested grain could move by boat up to Montreal for \$4.50 a ton. Is this approximately correct?

Mr. PHILLIPS: Yes.

Mr. HORNER (*Acadia*): Then why do you say the minimum assistance should be \$5? I cannot follow your reasoning in that connection. At any time I do not think freight assistance should be more because, if it was, it would have a drastic effect on local grain prices if for no other reason.

Mr. JORGENSEN: And, corn prices.

Mr. HORNER (*Acadia*): Yes, we did have a big discussion on that.

Mr. KIRK: I think the minimum assistance is \$5. That is the situation. However, that is not precisely what we said in our brief.

Mr. HORNER (*Acadia*): You say the minimum assistance should be \$5.

Mr. KIRK: This is in connection with this Ontario corn movement. What we say is that the balance of cost should not ever be more than \$3, in connection with the general freight assistance.

Mr. HORNER (*Acadia*): You say the balance of costs; you mean the transportation never should be more than \$3.00.

Mr. KIRK: Three dollars higher than the assistance in any particular case. We are not saying it should be that high but it should not exceed this. However, in a few cases it does.

Mr. HORNER (*Acadia*): And I am led to believe it is very rarely that high.

Mr. KIRK: That is right.

Mr. HORNER (*Acadia*): Freight assistance nearly always covers all the transportation.

Mr. KIRK: Yes.

Mr. VINCENT: Except on the railways.

Mr. HORNER (*Acadia*): We are going to be able to buy that grain in the fall but, in that case, we are paying all transportation. This is having a very depressing effect on the price of local grain. You only have 58 million bushels imported, if I am correct. One quarter of the feed grain used in eastern Canada is western Canadian grain; is it fair to ask eastern farmers to depress their prices on 75 per cent of the grain they use or grow because of a desire to import 25 per cent?

Mr. KIRK: Of course, the bulk of that 75 per cent is fed on the farm; it is grown on the farm and, in that sense, there is not a price on it in the first place.

Mr. HORNER (*Acadia*): Well, I think no good farmer would look at it that way. He certainly would have a price on it; he has to if he wants to know what he is doing. Universities are continually bringing this to our attention.

Mr. KIRK: In any case, if he is not going to market it and he puts a higher price on it in his books he is going to show a lower profit on the livestock part of his business and a higher profit on the grain side. I do not know what effect this will have.

Mr. HORNER (*Acadia*): Mr. Chairman, this is my last question. I am trying to point out clearly that there is justification for this committee to consider deeply the thought of scrapping this whole feed grain policy because it does about as much harm as it does good. It does not necessarily help the small farmer who needs the help, and it does not necessarily help the eastern farmer. I think there is some justification for Mr. Haver's charge. This does not necessarily help the western farmer because he may be feeding that grain to the cattle already there. Rather than studying ways of achieving greater subsidies in respect of uneconomical units, I think this committee should be studying ways of abolishing subsidies which do not benefit anyone, but which are harmful to many.

Mr. KIRK: Perhaps I could just respond in a general way to that general statement.

It is not the position of the federation that it is not worthy to inquire continuously into proposed adjustments to freight assistance, but in view of the existence of freight assistance we are fairly convinced that it is sound policy in Canadian interests, as we have said in our brief.

Mr. HORNER (*Acadia*): You suggest it is a sound policy in Canadian interests?

Mr. KIRK: We suggest it is a sound policy in the interests of agriculture and to Canada because it is a policy that is well designed to promote the utilization of Canadian grain for Canadian livestock production. However, we said in the beginning that it must be considered in relation to our total grain policy in this country which involves wheat board marketing, import regulations and a great many other things.

Of course, I could speak for a long time in respect of this question, but to sum it up, in my view and in the view of the federation, this is part of a package policy in this country which I think makes a great deal of sense.

Mr. HORNER (*Acadia*): I should like to ask one further question and then I will be finished. In respect of your remarks, "It makes a great deal of sense", bearing in mind the effect on beef prices, and I mean slaughter cattle prices as well as hog prices—and this can be supported by the stabilization board—which are always higher in eastern Canada than in western Canada, in order to put the western feeder on the same level, would it not make good sense to also have freight assistance in respect of slaughter cattle and hogs moving east?

Mr. KIRK: This freight assistance policy is one to provide for the use of western grain in eastern livestock production. It is my opinion that you cannot think of this policy in terms of livestock production as a head of cattle produced in western Canada or a head of cattle produced in eastern Canada. This policy is by no means that simple, and it is by no means clear that the elimination of freight assistance, for example, would change the economics very much under many circumstances in respect of livestock production in western Canada. It does not follow that livestock production has an advantage to the extent of freight assistance. We are in the North American livestock market, not purely in the Canadian livestock market. I sense in your remarks that there was this kind of east-west comparison, which I do not think is valid.

Mr. HORNER (*Acadia*): Mr. Chairman, I had one further question, but I will defer it. I think perhaps the committee has given me enough consideration.

Mr. SOUTHAM: Thank you, Mr. Chairman. The latter remarks of my friend, Mr. Horner, more or less help to neutralize some of the remarks I was going to make, if we can take his remarks seriously.

Mr. HORNER (*Acadia*): Well, I hope you do. Do not ever think I did not mean them to be taken seriously. Do not think for one minute I was not serious.

Mr. SOUTHAM: I realize he is very serious.

Mr. HORNER (*Acadia*): I did not look up a Quebec magazine, Quebec reports from a Quebec university, and go to the trouble of doing some research to gain this information without being serious.

The VICE-CHAIRMAN: Please, let us have a little order.

Mr. HORNER (*Acadia*): I do not like to be accused of not being serious.

Mr. SOUTHAM: Mr. Horner has been sitting in this committee for four or five years and I find that in each successive year we have heard more about this problem of feed grain in eastern Canada. I think the committee has shown a lot of sympathy toward the problem.

The last government developed legislation last year and placed a resolution on the order paper which would have given eastern feed grain storage and a feed grain act. Going along with what Mr. Kirk suggested, this over-all problem is related to the stabilization program that we developed over the years.

I would like to preface my question by focussing on these matters. Firstly, we have established stability in effect for the sale of Canadian wheat under the old wheat agreement. This is reviewed every three years. Secondly, we have established further stability of Canadian grain prices under the wheat board, and this is under continual review. Thirdly, we have further stability of Canadian farm products under the Canadian Agricultural Stabilization Act introduced in the fall of 1957. All of these stabilization functions work effectively in the interest of the Canadian agricultural producers. We have come down to the last basic problem, and this is what we heard for the last six meetings, namely, the discrepancy of the problem relating to the feeding of livestock. I think the feeding of livestock does not apply only to eastern



Canada but also to western Canada, as Mr. Horner pointed out. I would like to suggest that possibly Mr. Kirk was a little timid when he just referred in his brief to a proposal for the establishment of an eastern feed grain agency. I agree with Mr. Danforth that this has no teeth. If we are going to get some action here and remove some discrepancies, I think we should go a step further.

I would like to ask Mr. Kirk why, in the light of the statement made a few minutes ago, we have established all these stabilizing factors? In other words, we have established three cornerstones. Why do we not place the fourth cornerstone under this agricultural problem as far as Canada is concerned? Why do you not recommend going one step further?

Mr. KIRK: The quite simple answer is that our producers have not concluded that it is necessary.

Mr. SOUTHAM: I think we have two resolutions or amendments before this committee dealing with the crystallization of this plan. In view of the interest that has been expressed by former committees on agriculture, I do not think that you could have a better stabilization agency than the one you can set up in this committee right here where there are representatives right across Canada looking at this problem.

Mr. KIRK: My difficulty with your question is this, that you say, "Why do we not go further to correct that problem?" What we are suggesting is that the problems, in so far as we see them, can be met as we are suggesting. Now it seems to me that we have defined in our brief what we consider to be some of those problems. If you are asking why we do not go further; that it is incumbent upon someone to identify the problem, I agree we have not, perhaps because we do not see the problem, the nature of the serious problem that would require as to go further. We do not see the necessity, quite simply. What is this very serious problem beyond the problems that we have defined in our brief that do exist and must be corrected?

Mr. SOUTHAM: The problem is that over the last five or six years we have come to realize that the average income of the farmers in eastern Canada is quite a bit below the average in the west. As a westerner I am happy that our farmers are above the average but I am unhappy that the eastern farmer has not come up to that level. I am interested in the problem of helping him. We know what the problem is; let us resolve it. We cannot resolve it by taking too timid an attitude. I was a little bit disappointed—I am not saying this disrespectfully,—that in your brief you did not go further and did not recommend something we had in mind last year, namely a stabilization feed grain act, or whatever you want to call it. Get teeth into it and resolve these problems into some crystallized form.

Mr. KIRK: I am bound to say I do not think we have discussed this feed grain question in the context of utilizing a feed grains policy to ensure any particular total income equalization in Canada. This is a very big question which I think goes considerably beyond the question of feed grain policy which mainly is devoted to the question of equalization of costs of raw material for a certain part of the farming business which is not by any means all of the farm question or all of the question of comparing eastern and western agriculture, or their income positions.

Mr. SOUTHAM: Our stabilization act which was passed in 1957 helped to resolve a good many of the problems; there was the world wheat agreement, and now we have the problem of unstabilization of prices in eastern Canada. I think we have established there is this problem. I think the farmer has a problem. I would like to see some definite action crystallized in this field.

Mr. KIRK: To the extent that grain prices have been stabilized for export, they also have been stabilized for domestic purposes.

Mr. LANGLOIS: But they have been stabilized high.

Mr. JORGENSEN: Mr. Chairman, I would like to ask a question of Dr. Phillips in relation to what Mr. Danforth mentioned earlier in respect of corn. Mr. Phillips gave us some figures in respect of the relative cost of transportation of corn from Chicago to Halifax and then from Toronto to Moncton. I wonder whether he has available some figures indicating the time at which the American corn is brought in and the quantities which are brought in for consumption in Canada. Are these figures available?

Mr. PHILLIPS: I believe they are.

Mr. JORGENSEN: Would it be possible to have those figures placed on the record in relation to my question? Secondly, do you have any figures indicating when that corn is sold, whether at the time of delivery, or later on in the season. Is that information also available?

Mr. PHILLIPS: That would not be available, because this is one of the problems running through the discussions of the committee; that is, when grain is sold. When grain is brought down from western Canada, it is sold, and perhaps sold right down at the farm level, but it has not gone out there yet.

Mr. JORGENSEN: I am speaking of American corn.

Mr. PHILLIPS: It is the same idea. Let us say that 30 million bushels of grain come down in the fall. I would say that 28 million of that 30 million came down because somebody bought it and had the choice the day they bought it to buy it at the price that day; and to the extent they did, they would have a stable price. To the extent they hedged it on the market, they would have an unstable price; but they would hedge against the losses. Anyone has a chance to buy at a stable price. But Mr. Langlois mentioned that stability means stable at low, you see, but not stable at high; there is this distinction.

To answer your question, Mr. Jorgenson, because of the fact that it is bought when it is bought in the fall, it would be impossible to say how much of it until they need to process it, and it would be impossible to determine how much of that has been hedged in the market against losses.

Mr. Jorgenson: Mr. Kirk, assuming the Co-Operative Federée or some other Co-operative federation in eastern Canada were to become an agent and purchase feed grains in the fall at the lowest price, do you think that, by virtue of the fact that the co-operative organization is in possession of this grain, this would have some influence on stabilizing the price, and preventing people exploiting the market?

Mr. KIRK: I think it has an influence now. I am not clear about all the operations of these co-operatives. I think they possibly vary somewhat from year to year. The Co-operative Federée and other co-operative organizations do buy grain. The fact they buy it through the services of an agent does not mean they do not acquire ownership of the grain; they do. They do not just simply buy from holders in eastern Canada from day to day throughout the winter.

Mr. JORGENSEN: It would depend when they bought it. If they purchased grain at times when they required it, it would be subject to fluctuations in price; but if they were to purchase sufficient quantities early in the year and hold them in storage available for feeders when they require them, would you not think this would have a stabilizing influence even if they did not control the entire market, and even if they did not purchase all the requirements of all the farmers? My understanding is one of the functions of a co-operative movement is to act as a stabilizing influence.



Mr. KIRK: Yes, I think you are right in so far as the co-operatives have a fairly adequate supply of feed grains, or maybe a little more than adequate. Even if the total situation is tighter from the point of view of the over-all situation, I should think from the point of view of the whole competitive relationship of the feed business they would tend to have the effect of keeping the price rise to a minimum in the case of winter shortage, yes. Of course, it must always be said that if the shortage is sufficiently severe and if the price does not rise at all one does find a rationing situation developing; one finds a physical shortage of sales. That is what happens.

Mr. JORGENSEN: Dr. Phillips put some figures on the record indicating the cost of purchasing small quantities and transporting them on the canalliers, and the cost of purchasing large quantities and transporting them on larger boats. Suppose the Co-operative Fédérée or some of the other co-operatives involved were to purchase large quantities in bulk, what effect would that have on prices throughout the country.

Mr. KIRK: I have not been aware that the situation was such that the cost of actually purchasing grain was a great deal higher for small quantities.

Mr. JORGENSEN: I am speaking of transportation costs. The other day Mr. Phillips put some figures on the record which indicated that if large quantities were purchased the cost would be much less in freight than if the grain was brought down on a canallier, which would carry much smaller quantities.

I have one final question. Has the eastern farmer shown any disposition of wanting an eastern feed board? Is there any strong movement that your organization has detected that would lead you to believe it would be a desirable thing to set up an eastern feed board for purchasing eastern or western grains?

Mr. KIRK: If you will permit me I will answer that question in this way. Our policy does not call for such a board. You are speaking of a marketing agency now, are you not?

I would say this. It is a fact that our policy does not represent a compromise on this question between eastern and western parts of our organization. It most definitely does not. It seems to me there is some implication in your question that we may have arrived at a compromise when the eastern view in fact is that we should go much further. This is not the situation.

Mr. JORGENSEN: I take it then that the eastern farmer has not shown any inclination to set up a feed board?

Mr. LANGLOIS: I do not agree with that.

Mr. KIRK: The eastern members of our organization have not proposed that our policy should be an eastern feed marketing board. They have agreed with this policy.

Mr. JORGENSEN: Those are all the questions I have.

Mr. VINCENT: I have a supplementary question in relation to this one. Just one question.

The VICE-CHAIRMAN: I have several others on the list. I have Mr. Vincent, and I would like to continue, but we have to consider the time. But a brief question, Mr. Vincent, a very brief question.

Mr. VINCENT: I would like to ask Mr. Kirk if the problem in western Canada was solved through the formation of the Canadian wheat board? Do you not think that the problem might be solved here in eastern Canada by having exactly the same thing? But not for selling wheat or grain, rather for buying wheat and grain. They had this problem in western Canada and they solved it. And we are out to try to find a solution here.



Mr. KIRK: I do not think this follows really, because it is grain sold by this western board that is being purchased by eastern farmers. The western board was set up, and we are talking about the past set-up here. It was set up and created for an orderly or more stable market for western grain. In so far as this has been achieved—and it has not been fully achieved because there is no perfect level of prices—that same set-up applies to the purchase of grain by eastern feeders. I do not quite see the parallel you are setting up here.

Mr. JORGENSEN: Is it not a fact that in western Canada the setting up of the Canadian wheat board was prompted by the farmers themselves? They were the ones who took the initiative and urged the government of Canada to set up the wheat board. They are the people who really wanted the board, and who advocated its being set up. Is that not a fact?

Mr. KIRK: That is true.

Mr. CARDIFF: I would like to say that we in eastern Canada—and I would include Quebec—are in full accord with the wheat board in western Canada and the western farmer. On the other hand, I would like to ask this question: at the present time what percentage of storage space in Ontario or Quebec is allowed for western feed grain, or is that grain bought at the lakehead by dealers and stored here on their own account, and they have to pay storage on it, or is space left in Ontario for surplus grain, or for United States corn, or anything else in that storage? Is there any percentage basis where they can fill to capacity? What is the program?

Mr. KIRK: Mr. Phillips will know a lot more about the details than I do. As I understand it, the position is that the elevators are there operating under certain rules for the receipt of grain if grain is offered for storage—this is at public terminals. He mentioned one rule with respect to United States grain. There are restrictions on it in respect to space immediately prior to the close and immediately after the opening of navigation.

Mr. PHILLIPS: Mr. Kirk has touched on it. You have asked two questions really; one is: how much is there, and the other is: what rules are there? As you know, Mr. Cardiff, there is very little Ontario grain that is sold for cash other than to other farmers as compared to the amount of western grain that comes down here. We have winter wheat in Ontario and we have a certain amount of corn—which is around 9 million bushels—and we have soybeans. Now, most of the soybeans go to processing plants, and are not stored in public licensed elevators. They go through what we call operational storage in the country elevators. They do not go into licensed country elevators. They do require some space because of this export movement that was mentioned. But, in terms of domestic, under the rules it must go into domestic millers storage and, as was explained by the board of grain commissioners, who are responsible for these licensed elevators under the Canada Grain Act, these elevators must follow the rules of the Canada Grain Act apart from those minor qualifications I mentioned about a certain percentage of United States corn. There is a small amount of space in each elevator to do with what they will and the remainder must be available for grain from any Canadian sources upon presentation, if the grain is in shape and is keepable.

Mr. CARDIFF: Regardless of where it comes from.

Mr. PHILLIPS: Yes, that is right.

Mr. CARDIFF: I would like a comment in respect of one of the matters Mr. Horner brought up. Mr. Horner wanted to know if it would not be fair for the freight assistance to be allowed on the return trip to the western farmer. In my opinion, when a western farmer voluntarily delivers his uncleaned grain to the trade the Dominion of Canada should not pay the freight back to him.

If it is taken off in his dockage why does he not clean it before he puts it into the trade?

Mr. HORNER (*Acadia*): Mr. Cardiff, even if it is cleaned by the country elevator it has to be cleaned at the terminal elevator. However, there still will be some cracked owing to handling. But, I do agree that farmers should ship as clean wheat as possible.

Mr. CARDIFF: I would imagine there would be a small percentage taken out of the terminal elevators if they were cleaned at the other elevators.

Mr. HORNER (*Acadia*): My charge in respect of the screenings at the lakehead is that we in western Canada are now providing cheap feed for farmers and feeders around Duluth, Minnesota.

Mr. WHELAN: On a point of order, Mr. Chairman, I think Mr. Cardiff should be allowed to complete his questioning.

Mr. CARDIFF: Mr. Chairman, what has been said has pretty well cleared up the situation in so far as storage is concerned. I realize that if an eastern producer wants to put grain in these elevators he has the same opportunity to do so as the western dealer has. In my opinion, the grain dealer puts the grain in there; it is not the wheat board, unless it asks for space in there for feeders. It must be the dealers who buy it at the lakehead and put it in storage. It must be owned by the dealers.

Mr. PHILLIPS: That is right, Mr. Cardiff. The grain which comes from western Canada for feeding use in eastern Canada is purchased by shippers and it is shipped down into terminal positions.

Mr. CARDIFF: It does not belong to the wheat board any more?

Mr. PHILLIPS: No, but this domestic grain we are speaking of.

Mr. CARDIFF: It seems to me the system has changed to a considerable extent in eastern Ontario. A few years ago we did not have combines because we thought we could not handle our grain on account of dampness.

Our fall wheat growers now inevitably combine that wheat and deliver it right from the field. This is not done in the same way as it was done a few years ago. In the past the grain was stored in bins and in barns. These bins are empty most of the time now. Last fall, for instance, so much fall wheat went on the market they could not find space to store it. The Ontario wheat board had difficulty in finding space to store all the wheat. I do not know whose fault this was, but I think too much wheat went on the market at one time. However, if the wheat board has nothing to do with storage space in Ontario I do not have any further questions.

The VICE-CHAIRMAN: May I just remind the committee that Mr. Kirk has been very kind in giving us his complete afternoon, and I suggest that we should keep this fact in mind when asking further questions. I do not make these remarks with any intention of imposing a restriction upon anyone in any way whatever, but I think we should take this fact into consideration.

Your name is next on my list, Mr. Langlois. Would you please take into consideration my last remarks?

Mr. LANGLOIS: What were your last remarks, Mr. Chairman?

The VICE-CHAIRMAN: You may proceed.

Mr. LANGLOIS: Mr. Chairman, I have some general questions in respect of different subjects. These questions are related but perhaps will not follow in the usual way.

Earlier during this meeting one member asked questions in respect of the sales of western grain in eastern Canada, having regard to a set price. This member referred to an artificial scarcity of grain. Do you feel that a broker can create an artificial scarcity of grain? Once the grain is at the lakehead

in the hands of the brokers, destined for farmers use in eastern Canada, can the brokers create an artificial scarcity and as a result raise the price?

Mr. KIRK: First of all, as I understand the situation, they acquire the grain for shipment out of the lakehead, and if a scarcity occurs it occurs as a result of the movement of the grain east. When you ask if the brokers can create such a situation in this generalized form, I must say that if the trade as a whole breaks down and there is not enough grain to meet the requirements following the closing of navigation, then in that sense of course they have created a scarcity.

Mr. LANGLOIS: I should like to put the question in another way. Perhaps 15 or 20 brokers order grain from the lakehead before the navigation season closes and the storage rooms become filled and then, following the closing of the navigation season, they indicate there is a shortage of grain and the price is high, the users must pay the increased price. Can a situation develop in this way?

Mr. KIRK: I find it very difficult to believe that a situation of this type could develop. The information we have received does not indicate that this has happened.

Mr. LANGLOIS: The shippers do not give us information in this regard.

Mr. KIRK: We have not been given information which would indicate that this does occur.

Mr. LANGLOIS: From whom do you receive your information?

Mr. KIRK: We receive our information in this connection from the people who are working for the farmers, and I refer to the co-operatives.

Mr. LANGLOIS: You receive your information from the co-operatives?

Mr. KIRK: That is right.

Mr. LANGLOIS: Do the co-ops act as agents?

Mr. KIRK: Do they act as agents for whom?

Mr. LANGLOIS: You said some time ago that the co-ops could buy grain and do order grain; is that right?

Mr. KIRK: The co-operatives are not agents in the technical sense, being sort of registered agents of the board. The co-ops purchase grain through the services of those agents.

Mr. LANGLOIS: But they are using it in the name of the farmers they buy from. If they do not buy themselves, they have to buy from the agent.

Mr. KIRK: But they are buying from the lakehead.

Mr. LANGLOIS: The co-operatives are buying it from the lakehead and they are giving you the information on the agents. Is that correct?

Mr. KIRK: I am not at all sure that the co-operatives never buy any grain except from the lakehead. They certainly buy from the lakehead and I am quite sure they would not be in any plot with all the rest of the grain trade to short the supply in eastern Canada. The information we have had has been that apart from the physical reasons such as jam ups in physical conditions of shipping availability and grain availability, the kind of situation that does create the shortage in conditions is what we referred to in our brief. It is this position that has occurred quite often where there is a premium on the price of grain for the fall delivery over the price of grain for the spring delivery. When you have such a premium, the risks of carrying too much grain become very high, because if you do not sell it before the opening you get an automatic loss because the spring price, when you buy it in the fall, is lower than the price at which you are buying it. It is the elimination of this premium which our people



feel will go a very long way toward creating these conditions of risk that result in adequate grain being moved down.

Mr. LANGLOIS: You said the situation did not quite resemble the western Canada situation in 1936 when the wheat board was formed. It is precisely that situation that did exist. You had wheat pools, you had the united grain growers, and all the other agencies there, and yet all the farmers were actually being left aside. I am willing to agree with you it works very well, but it is not the farmers who run the co-operatives.

Mr. HORNER (*Acadia*): Why don't they?

Mr. LANGLOIS: You never see the farmer represented in Montreal. It is always left to the board of directors of the co-operatives. I am not saying there is no possibility of the co-operative, in accordance with other agencies, raising the prices. What I am saying is it is not their farmers but their directors on the co-operatives who are able to do it. The possibility exists that the price can be raised, as it was with sugar, possibly by some other brokers.

Mr. KIRK: I do not believe this happens, and I do not see, the way the co-operatives are organized, the incentive for this happening. I do not believe it happens.

Mr. LANGLOIS: It might not happen with the co-operatives, but it happens with these others. This is a possibility.

Mr. KIRK: Unless the co-operatives are in on the plot—I am taking you as speaking of a conspiracy.

Mr. LANGLOIS: I am asking you if there could be one.

Mr. KIRK: I do not see how there can be one without the co-operatives being in on it. I am quite sure the co-operatives would not be in it.

Mr. LANGLOIS: If the co-operatives were in it, your information would not be correct. Would it?

Mr. KIRK: I have never asked the co-operatives if they are in a conspiracy because I do not believe there is a conspiracy.

The VICE-CHAIRMAN: I must ask you to go on to some other kind of questioning. Mr. Kirk answered your question.

Mr. LANGLOIS: I am basing this on one of the reports. These are not questions in the air that I have been asking. In one of the reports this was a resolution given by the co-operatives. They specify

(*Translation*)

that the structure of this policy should not be subjected to any change likely to jeopardize the investments which the farmers of the Province of Quebec have made in the co-operative institutions.

(*Text*)

I am willing to agree that if it is an institution for the farmers, then it is all right, but I do not go along with some of their policies. When the farmers tried to find out the price of maple sugar they were told they would not be given it. This can also be done with grain. In fact they are doing it. This may be a view of the directors in some of the localities that do not want to go along with it. In 1936 when the wheat board was formed it controlled all the grains in western Canada. Therefore you would eliminate many of the intermediates. Right now, after the wheat or grain has come down to the lakehead, it goes to a series of men before it reaches the farmer; some of these are brokers or distributors. It goes through three co-ops before it reaches some of the farmers—the Montreal Co-op, the Quebec Co-op, and the local co-op. Then you have the farmers who receive it in the long run. The co-op certainly has some part

to play in there with the brokers and distributors which might cause a rise in prices. Do you not think so?

Mr. KIRK: In the first place, the wheat board system established an orderly marketing system for grain, for the sale of grain essentially on behalf of the farmer in the technical sense of functions of persons who have things to do in connection with the handling and the sale of that grain. I do not think it eliminated the middleman to any particular degree. I do not know whether or not Mr. Phillips agrees with me. I do not know that there were a whole lot of middlemen eliminated; there may have been some. The essential thing which the wheat board did, however, was to establish a system of marketing the grain in an orderly way.

Mr. LANGLOIS: Did it prevent speculation?

Mr. KIRK: The elimination of the futures market in respect of wheat eliminated all that speculation involved with the futures market. You cannot draw a simple parallel between this question of buying and selling and say that because it was right to have a selling agency like the wheat board it is therefore necessary that you should have a similar agency for buying. I do not think it quite follows.

Mr. LANGLOIS: Possibly it does not follow the same policy, but there is another way of organizing the thing. You might be able to organize this in a way similar to the wheat board and perhaps give better service than we now have. A while ago you were speaking of the agency which was more of a supervisory than a controlling agency. The U.C.C. apparently wanted an agency formed which was not merely a supervisory agency. Why does the federation just want a supervisory agency with no other control of any kind?

Mr. KIRK: I do not think it is so that the U.C.C. has asked for an agency that goes far beyond what we have asked for; at least this is not so to my knowledge.

Mr. LANGLOIS: I do not know, but I spoke to some of the U.C.C. people and they seem to be in favour of having one which has control and not just supervision.

Mr. KIRK: All I can say on this point is that the U.C.C. and the Fédération are members of our organization, they have been a party to all the decisions contained in this brief and, to my knowledge, they fully agree with them.

Mr. LANGLOIS: Why would you not want an organization, possibly with representatives of the U.C.C. if you wish, and the co-ops, which would handle its accounts through the House of Commons and which would do more than just supervise but would exercise control if necessary.

Mr. KIRK: I think you would have to ask the question in respect of control: what for; for what purpose and how? These are all the questions.

The VICE-CHAIRMAN: Mr. Langlois, I believe many of these questions you are asking could be addressed to the U.C.C. when they come back.

I think also you have a motion.

Mr. LANGLOIS: It is the federation's opinion I want on this. At the moment you have the wheat board. You can follow the wheat clearly up to the lake-head, but from there on there is a zig-zagging line before it reaches the farmer. If we have an organization formed which buys after the zig-zagging has taken place, the grain is not being followed all the way through; it cannot be followed all through and one has no control. When it is picked up there is a margin between the two ends that one cannot control. Do you not think that if such a board were formed it should control the grain from the point at which the wheat board's control discontinued?

Mr. WATSON (*Assiniboia*): I have a question supplementary to Mr. Langlois' question, the answer to which might answer Mr. Langlois' question. Assume we set up an agency in the east which will bring feed grain to the east, or take options on it from the wheat board and bring it to the east. With the federal freight assistance policy and the freight feed storage policy that are presently in existence, do you consider such an agency would also require marketing powers or any sort of marketing control powers in the east, or do you feel with the existing subsidies and simply with an agency with purchasing or option-taking powers, such an eastern agency would be sufficient and would have adequate powers without having marketing powers?

I think the answer to that would also be an answer to Mr. Langlois' question.

Mr. KIRK: Our position, as I have said, is that we do not see the need for an agency other than the advisory one of which we have spoken. Except to the extent that we have identified problems in this brief, we are not aware of large exploitative marketing in the handling of this grain. It seems to me this is the essential point. It seems to me, Mr. Langlois, the implication of what you say is that this marketing does exist, but our experience is that such exploitative marketing does not exist.

Mr. LANGLOIS: If you were to question the farmers themselves they would put you straight on that. If you have an agency it does not mean you get it cheaper.

The VICE-CHAIRMAN: Dr. Phillips would like to say a few words.

Mr. PHILLIPS: It might be helpful if I were to answer this question.

You are talking about price. Of course, price and supply have a bearing one on the other.

What determines price in eastern Canada? First it is the supply at the lake-head. If there is more than sufficient, the price is likely to be right. This is the point Mr. Kirk has talked about in regard to the premiums and so on. If you get the supply there, then there will not be a premium on the October over the May supply. The wheat board has more supply there now than is needed for the east.

The next thing is that if you have sufficient supply in position in eastern Canada available for all, there is likely to be competition between the owners of that supply. So what you are talking about is an agency to bring the grain down and create that supply. I think there is a policy in effect now that has created that supply because there is a storage policy. We have yet to see whether there will be a surplus in the spring. Let us assume for the moment that supply is adequate in position in the east, that there is a number of owners of grain, and that the co-ops and others have bought what they think they need for the winter, and these other people have brought down more than that because they know some people do not buy until later on. I used the example of 30 million and 28 million bushels of it owned; the other two million is in the hands of the brokers to cover customers who would complain if they did not have enough later on.

If you have more than sufficient supply there, then the next stage is the local co-op. Did he buy enough? If he did not buy enough but there is an over-supply, it is still there and there will not be an exorbitant price.

The factor of cost that has not been touched on here—and you will note it in the appendix to the report of the second meeting—is the factor of cost after it leaves the central co-operative in Montreal and after it leaves the broker in Montreal; it is the cost of processing grain and selling it to the farmer and providing him with the services. If you want to remove all the ups and downs of prices and for that purpose you look at the factors of cost, you will find the largest factor of cost that is not covered by government subsidy is the



retail factor of cost. Do you want an agency to take over the retailing of feeds? These are the considerations.

Mr. LANGLOIS: I do not want him to take it over. I want him even to get out of the brokerage.

Mr. PHILLIPS: But I am just suggesting in order to assess the problem you have to look at the factors of cost.

Now where are they, and what causes the upswing in price? It is under-supply. If you create a condition where you have oversupply, there will not be an upswing. There was a suggestion that if the co-op buys 50 million bushels of grain in the fall, or if an agency buys 50 million bushels in the fall, this suggests that you do not let anyone else sell, because if you do, they will undercut the price of that grain being sold by the co-op or the agency, and then you have a situation where you are losing.

Mr. LANGLOIS: That is why I brought up the suggestion this morning of having a floor price or a maximum price, and if the co-op is not buying from the wheat board but from an agency somewhere in the west, why do they not buy from the wheat board?

Mr. PHILLIPS: I would suggest this: there was during the war price control when we had the co-ops in western Canada selling grain in eastern Canada. But they do not do it any more. I have not been told this precisely, but I can speculate that they do not do it because they found they could not do it as efficiently as others. It was costing them more money to do it. They do not sell into the east any more—I mean the pools in western Canada.

The VICE-CHAIRMAN: Gentlemen, it is now past six o'clock. What is the intention of the committee? I have on my list Mr. Alkenbrack, Mr. Horner, Mr. Whelan and Mr. Watson who would like to ask a few questions. Would you like to adjourn until later this evening, or do something else?

Mr. HORNER (*Acadia*): I shall forgo my questions.

Mr. LANGLOIS: I have just one short question.

Mr. HORNER (*Acadia*): Let us decide whether we are to meet this evening? Is it necessary? Can anything be accomplished by asking Mr. Kirk to stay?

The VICE-CHAIRMAN: I feel since Mr. Kirk has spent the whole day with us we have covered a wide range of his brief.

Mr. DANFORTH: May we have some indication from the gentlemen whose questions are yet to be heard whether they will be three minutes, five minutes, or what?

The VICE-CHAIRMAN: I have Mr. Alkenbrack. Mr. Horner said he would not ask any more questions. And I have Mr. Whelan.

Mr. WHELAN: I have a point of order to raise.

The VICE-CHAIRMAN: We will wait until the end of Mr. Watson's questions. He has one question. What is the pleasure of the committee?

Mr. ALKENBRACK: I do not think my question would take very long.

The VICE-CHAIRMAN: Might we have a few questions from these gentlemen and try to quit in ten to fifteen minutes? It is up to the committee.

Mr. HORNER (*Acadia*): I do not want to break up the committee. You have been very generous with me in answering my questions. But I have been listening to a great deal of repetition in the last fifteen minutes, and to a great many questions. It was impossible for the witnesses to answer them because they were outside of their realm. So I think we should adjourn and let the witnesses go home, after thanking them generously.

Mr. LANGLOIS: I thought the questions concerning co-operatives were very important.

The VICE-CHAIRMAN: Gentlemen, let us have a little order here.

On Thursday we will have the Winnipeg grain exchange, as mentioned in the subcommittee report. We intend to bring back further witnesses from the Coopérative Fédérée and U.C.C., as well as a few others.

I would suggest to the committee that Mr. Kirk has been very kind in spending the whole day with us.

Our Clerk has an awful lot of work he would like to catch up with. We have not copies of our previous meeting to date. As I say, our Clerk has a lot of work to do and he would like to do some of it tonight.

Mr. DANFORTH: Mr. Chairman, if the questions are not going to be long can we not take five or ten minutes and clean them up at this time?

The VICE-CHAIRMAN: I think perhaps we should take another five or ten minutes to finish this up.

Mr. HORNER (*Acadia*): I will stay, Mr. Chairman. I will not be responsible for closing a meeting.

Mr. LANGLOIS: Mr. Chairman, I had a very short question which can be answered with a yes or no answer. It is in reference to Mr. Horner's comments about freight assistance.

Mr. Horner, first of all, asked to have freight assistance on feed grain going back west, and then he suggested there should be freight assistance on hogs coming east. Do you not think it would be better to have freight assistance on the feed grain from the lakehead and let us raise our own hogs, instead of giving freight assistance on feed grain going back west, and paying freight assistance on hogs coming back here.

Mr. KIRK: Our policy is we should have freight assistance as it is now.

The VICE-CHAIRMAN: Mr. Alkenbrack, would you proceed now?

Mr. ALKENBRACK: Mr. Kirk and Mr. Phillips, may I take this opportunity of congratulating you on your very good brief and for the informative way in which you answered questions put by members of this committee.

Do you not agree that the transportation subsidy should not be paid on American corn during such periods that Ontario or Canadian corn is available and in storage at these large local elevators such as Sarnia, Prescott, Port Colborne and so on. As I said, do you not agree the subsidy should not be paid on this American corn which is channelled through them and onward through Ontario to the east?

Mr. KIRK: We have no recommendation that there be a regular subsidy on American corn.

Mr. ALKENBRACK: But by virtue of the legislation now there is, and I would suggest this would be better which your co-ordinators could study in respect of the proposed feed agency.

My second question is this: are retail prices of feed grains in the maritimes reflecting whatever assistance federal subsidies are giving?

Mr. KIRK: Yes.

Mr. ALKENBRACK: And that would mean the federal government has not been wasting its money?

Mr. KIRK: That is correct.

Mr. ALKENBRACK: Can you give me a breakdown of what makes up the total price of a ton of any given kind of feed in the maritimes? I am referring to western feed ground and bagged and put on the maritime farmers' truck at the local feed dealer's place.

Mr. KIRK: I have not these figures now. Such tabulations have been prepared in the past but not recently by our organization. However, I could try and get them for you.

Mr. ALKENBRACK: I am not being critical but I do think you should have them with you.

Mr. Phillips, could we get those figures?

Mr. PHILLIPS: I was asked at a committee meeting last week to prepare a set of figures in respect of the cost factors entering into the movement of grain. We chose as an example one place in Quebec, but the same situation would apply in the maritimes, by adding the additional freight and taking off the subsidy. This statement will be an appendix to report No. 2.

Mr. ALKENBRACK: I had reference to the retail factor.

Mr. PHILLIPS: There is a comment in that appendix, as a footnote to the price, indicating that approximately 85 per cent of grain goes in the mixed feeds; 15 per cent would be sold as ground or bagged grain. There is also an indication of the approximate mark-up and service that might be rendered in respect of that mark-up.

Mr. ALKENBRACK: Would such a breakdown be made available to us?

Mr. PHILLIPS: This report will be an appendix to the committee report No. 2.

The VICE-CHAIRMAN: That is already incorporated in the report, Mr. Alkenbrack.

Mr. ALKENBRACK: In respect of the feed grain assistance agency that you suggest, do you agree that one man should not be burdened with the power of co-ordinating the action resulting from the duties to be given to this proposed federal authority, but that a three man board, committee or authority should be formed with one man as the director or chairman? Do you think that would be better than placing all the authority and burden on one man?

Mr. KIRK: The reason we suggested one man to administer a feed grain assistance agency is that it involves a study of liaison, and we think such a man should be a very capable man. We were not convinced that it was necessary to employ the services of several top ranking men who we think should be carrying on the functions of such an agency. We did not feel it necessary to utilize the services of two or three such men for this particular job. That is not to say that whatever staff is necessary for him to do his job should not be provided, but we think a good man in whom the producers have confidence could do this job. We do not have any objection to a two man commission, but we did not want to proliferate the commissioning of an assistance agency needlessly.

The VICE-CHAIRMAN: Mr. Whelan, did you have a question?

Mr. WHELAN: No, Mr. Chairman.

Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Is it your contention that this agency which you propose should be limited to co-ordinating and publicizing feed supply in the east, and this would really be the prime function of such an agency?

Mr. KIRK: We feel the agency's function would be to establish, first of all, effective liaison with all the groups and agencies connected with this business. We feel such a man would have certainly an important status which would be recognized in the country, and could lend his good offices to the task of straightening out all problems that arise, and to consult with producers to carry on continuous study and inquiry into the situation, problems and new developments. We feel this would be very useful and could, of course, possibly result in recommendations for the adoption of new policy.



Mr. WATSON (*Chateauguay-Huntingdon-Laprairie*): Are you opposed to this board or agency having powers to take options on grain from western Canada?

Mr. KIRK: We have not seen the necessity in this regard.

The VICE-CHAIRMAN: I believe we have a motion by Mr. Langlois.

Have you the motion, Mr. Langlois?

Mr. Langlois put forward a motion earlier today but he has now indicated that he would prefer to have this motion stand until such time as we write the Association National des Meuniers to find out whether that association would be interested in sending representatives to appear before this committee.

I should like to take this opportunity to thank Mr. Kirk of the Canadian Federation of Agriculture for his very wonderful brief and patience before this committee.

I shall entertain a motion to adjourn.

Mr. DANFORTH: I move we adjourn.

Mr. ALKENBRACK: I second the motion.

HOUSE OF COMMONS

First Session—Twenty-sixth Parliament

1963

STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

RESPECTING

The Annual Report of the  
DEPARTMENT OF AGRICULTURE (1963)  
with particular reference to matters relating to the  
PRICE OF FEED GRAINS

THURSDAY, DECEMBER 12, 1963

WITNESSES

*From the Winnipeg Grain Exchange:* Messrs. G. Heffelfinger, Chairman of the Board, James W. Clarke, President, C. Kroft, E. Greene, G. Paterson and B. Lagace; also Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963

STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                          |                            |                               |
|--------------------------|----------------------------|-------------------------------|
| Alkenbrack, <sup>6</sup> | Gauthier,                  | O'Keefe,                      |
| Armstrong,               | Gendron,                   | Olson,                        |
| Béchar, d,               | Groos,                     | Ouellet,                      |
| Beer,                    | Hamilton,                  | Pennell,                      |
| Berger,                  | Harkness,                  | Peters,                       |
| Bigg,                    | Herridge,                  | Pigeon,                       |
| Cadieu ( <i>Meadow</i>   | Horner ( <i>Acadia</i> ),  | Ricard, <sup>1</sup>          |
| <i>Lake</i> ),           | Jorgenson,                 | Rochon,                       |
| Cardiff, <sup>7</sup>    | Konantz (Mrs.),            | Roxburgh,                     |
| Choquette,               | Langlois,                  | Stefanson,                    |
| Crossman,                | Laverdière,                | Southam, <sup>2</sup>         |
| Cyr,                     | Loney, <sup>4</sup>        | Tardif,                       |
| Danforth,                | MacLean ( <i>Queens</i> ), | Temple,                       |
| Dionne,                  | Madill, <sup>5</sup>       | Vincent,                      |
| Doucett, <sup>8</sup>    | Mather,                    | Watson ( <i>Chateauguay-</i>  |
| Drouin,                  | Matheson,                  | <i>Huntingdon-La-</i>         |
| Émard,                   | Matte,                     | <i>prairie</i> ),             |
| Enns,                    | McBain, <sup>3</sup>       | Watson ( <i>Assiniboia</i> ), |
| Éthier,                  | McIntosh, <sup>9</sup>     | Whelan—60.                    |
| Forest,                  | Mullally,                  |                               |
| Forgie,                  | Muir ( <i>Lisgar</i> ),    |                               |

(Quorum 20)

D. E. Levesque,  
*Clerk of the Committee.*

<sup>1</sup>Replaced by Mr. Forbes on December 11, 1963.

<sup>2</sup>Replaced by Mr. Clancy on December 11, 1963.

<sup>3</sup>Replaced by Mr. Nasserden on December 11, 1963.

<sup>4</sup>Replaced by Mr. Rapp on December 11, 1963.

<sup>5</sup>Replaced by Mr. Horner (*The Battlefords*) on December 11, 1963.

<sup>6</sup>Replaced by Mr. Korchinski on December 11, 1963.

<sup>7</sup>Replaced by Mr. Ormiston on December 11, 1963.

<sup>8</sup>Replaced by Mr. Pascoe on December 11, 1963.

<sup>9</sup>Replaced by Mr. Cooper on December 11, 1963.



## ORDER OF REFERENCE

WEDNESDAY, December 11, 1963.

*Ordered*,—That the names of Messrs. Forbes, Clancy, Nasserden, Rapp, Horner (*The Battlefords*), Korchinski, Ormiston, Pascoe, and Cooper be substituted for those of Messrs. Ricard, Southam, McBain, Loney, Madill, Alkenbrack, Cardiff, Doucett, and McIntosh respectively on the Standing Committee on Agriculture and Colonization.

Attest.

LEON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

THURSDAY, December 12, 1963.

The Standing Committee on Agriculture and Colonization met this day at 9:40 o'clock a.m. The Vice-Chairman, Mr. Patrick Asselin, presided.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Bigg, Cadieu (*Meadow Lake*), Clancy, Cooper, Cyr, Danforth, Dionne, Emard, Enns, Gauthier, Gendron, Hamilton, Harkness, Horner (*Acadia*), Jorgenson, Korchinski, Matheson, Matte, Mullally, Nasserden, O'Keefe, Ouellet, Pascoe, Peters, Pigeon, Rapp, Stefanson, Vincent, Watson (*Assiniboia*), Whelan (31).

*In attendance:* From the Winnipeg Grain Exchange; Messrs. G. Heffelfinger, Chairman of the Board; James W. Clark, President, C. Kroft, E. Greene, G. Patterson, B. Lagassé; also Mr. C. R. Phillips, Director of Plant Products, Department of Agriculture.

The Vice-Chairman introduced Mr. Heffelfinger who then introduced the other officials of the Winnipeg Grain Exchange.

Mr. Clark read the brief of the Winnipeg Grain Exchange.

The Committee proceeded to the questioning of the witnesses relative to their brief.

The questioning of the witnesses being concluded the Vice-Chairman thanked Mr. Heffelfinger and his Officials.

It was agreed unanimously to cancel the meeting scheduled for this afternoon, the estimates of the Minister of Agriculture being before the House.

At 1:10 o'clock p.m. the Committee adjourned until Tuesday, December 17, 1963, to hear witnesses from the Association for the Development and the Protection of Eastern Agriculture.

D. E. Levesque,  
*Clerk of the Committee.*





## EVIDENCE

THURSDAY, December 12, 1963.

The VICE-CHAIRMAN: Gentlemen, I believe there is a quorum.

Today we are fortunate to have with us representatives of the Winnipeg Grain Exchange. I would like immediately to introduce to you Mr. Heffelfinger who is to my right. I would ask him to introduce the other members of the Winnipeg Grain Exchange who are present.

Mr. G. HEFFELFINGER (*Chairman, Board of Governors, Winnipeg Grain Exchange*): Good morning, gentlemen. It is a pleasure for us to have been invited to appear before this committee. I am chairman of the board of governors of the Winnipeg Grain Exchange for this year.

I would like to introduce the members of our group. Immediately to my right is Mr. James Clarke, president of the Winnipeg Grain Exchange. Next to him is Mr. Charles Kroft, who is a member of the board of governors of the Winnipeg Grain Exchange and chairman of the Shippers and Exporters Association. Next to Mr. Kroft is Mr. E. Greene, a member of the board of governors of the Winnipeg Grain Exchange and a member of the executive committee of the Shippers and Exporters Association. Then we have Mr. Gordon Paterson, who is a member of the Winnipeg Grain Exchange and vice-chairman of the Shippers and Exporters Association. Over at the next table is Mr. Bruno Lagace, who is special assistant to Mr. Clarke.

I would like to say a brief word about the Winnipeg Grain Exchange. We like to think of it as a free association of persons who are interested in grain, including the Canadian Wheat Board, the co-operatives, private grain handlers, brokers, exporters, vessel companies, banks, and so on. In the simplest terms, the Winnipeg Grain Exchange is interested in the grain trade and the circumstances attendant on the movement of grain.

Mr. Kroft, Mr. Paterson, Mr. Greene and myself are all persons, in one way or another involved in private business who serve on the board of governors of the exchange. We are elected to terms of office periodically. My own particular job this year, as chairman, is a one year job. It will pass on to someone else next year. Mr. Clarke is the permanent president of the Winnipeg Grain Exchange and acts as such in a full time capacity.

I have referred to several of these gentlemen as being associated with the Shippers and Exporters Association. In fact, this is an association within an association. It is an association of shippers and exporters who are particularly concerned with the domestic movement and the export of western grain.

Mr. Clarke, as our president, this morning will be burdened with the responsibility of presenting our brief to you. Mr. Clarke, Mr. Paterson and Mr. Greene, who have experience representing a good many years in many phases of the grain trade, will be prepared to help us work out the answers to any questions which may be raised in the course of the proceedings.

With your permission, Mr. Chairman, may I call on Mr. Clarke.

The VICE-CHAIRMAN: Yes, please. I would like to say Mr. Clarke has asked me to ask the committee whether he may read his brief completely right through. I feel we should have him do this.

Mr. J. CLARKE (*President, Winnipeg Grain Exchange*): Mr. Chairman, we were gratified to receive your invitation to appear before this committee.

With us here today are men who have spent their lives in the grain trade and who are, by any measure, experts in the field of grain marketing. They are anxious to place their experience at your disposal and to answer, as fully and honestly as possible, any question you might ask.

We are aware that you are receiving briefs from many organizations and institutions and it has been our attempt, in this document, to anticipate those matters upon which comments from us might be the most helpful and illuminating.

We must, however, underline that we are primarily a western Canadian institution. The Winnipeg Grain Exchange consists of line elevator companies dealing directly with our prairie farmers, the Manitoba, Saskatchewan and Alberta wheat pools, United Grain Growers, the Canadian wheat board, the railways, the banks involved in grain trade financing and other businesses and institutions intimately associated with our prairie farmers. Obviously our prime concern must be with the western grain producer and, in the course of this discussion, we must point out the impact on his welfare which alternative policy decisions might have. But we must hasten to assure you that this does not mean that we are unaware of, or indifferent to, the income and economic problems of the farmers and feeders in eastern Canada and particularly in Quebec.

Our presentation will then divide under five separate headings:

- I. The role of the Winnipeg Grain Exchange in the western grain marketing system.
- II. The role of the Winnipeg Grain Exchange in the marketing of feed grains.
- III. The significance of futures trading.
- IV. Possible economic implications to western grain producers and eastern livestock feeders of alternative policy proposals.
- V. Summary—statement.

#### I. The role of the Winnipeg Grain Exchange in the western grain marketing system:

It is important to understand that the western grain marketing system, which we regard in Canada as being second to none in the world, is made up of a number of co-operating parts. These parts include the Canadian Wheat Board, the board of grain commissioners, the Winnipeg Grain Exchange and, numbered among the members of the grain exchange, the country elevator operator (both private and co-operative companies) the shippers and exporters, railways, banks, brokers and others involved in the marketing of our crops.

In this connection we quote from a Canadian wheat board publication prepared by Wm. Riddel, assistant chief commissioner, who met with you a week ago:

It should be stressed again that the board utilizes the services of the various segments of the grain trade to the extent that it considers it to be to its advantage to do so, . . .

Wrote Mr. Riddel. I continue with the quotation:

Sales made by the board are made under the rules and regulations of the Winnipeg and Vancouver Grain Exchanges because the rules of these institutions have been formulated for the purpose of dealing in the various grains, are well defined and thoroughly understood by all interests concerned in the purchase and sale of grain. Similarly, and for the same reasons, the contracts of the London Corn Trade Association are generally used by our agents in selling grain in the international



markets. In the case of selling operations covering oats and barley the board usually disposes of these grains in terminal positions; i.e., the lake-head or Vancouver. To the extent that it finds it to advantage to do so, it will utilize the futures market of the Winnipeg Grain Exchange in selling oats and barley.

The Winnipeg Grain Exchange is of considerable importance to the board in two respects; firstly, it provides a market place where buyer and seller can readily get together and, secondly, and perhaps more important, it provides a mechanism by which the forces of supply and demand act for the purpose of determining day-to-day prices. The futures market price for oats and barley are generally used by the board in determining its sales prices for these grains, most of which are sold for consumption in the domestic or United States markets.

As Mr. Riddell makes very clear, the Winnipeg Grain Exchange does not buy or sell any grain: it provides an essential market place for the free play of supply and demand and the determination of price. And, as also noted in the above quotation, this is an essential function in the marketing of Canadian grain.

In the marketing process the role of government is primarily regulatory; the actual marketing arrangements remain very largely the function of the persons and organizations that make up the grain marketing system. Experience has confirmed that, to traders as much as to producers and governments, serious price instability can result in hardship on the producer—the western farmer in this case—and upon customers—the eastern feeder in the case under discussion. In the wider sense, serious price instability may result in inefficiencies and dislocations in the trade and serious domestic and external problems for governments substantially dependent upon such trade.

We must underline that the Winnipeg Grain Exchange, in its role in the marketing system, has no axe to grind, no vested interest to maintain. As citizens we feel that consistent with minimum interference with the free play of supply and demand reasonable price stability is in the interests of producers, feeders and the national economy and so we favour it; at the same time the actual level of prices of grain at any particular time cannot be of prime economic concern to any exchange in which members are both buyers and sellers. Our interest centres on the efficient marketing of Canada's grain in the best interest of the farmers, and the best interests of the trade and the nation as a whole. We maintain that fundamentally these are mutual, and not conflicting, interests.

We keep an open mind on means of improving the marketing system. If a proposal emerges from your deliberations for improving the feed grain marketing system you must not anticipate resistance or opposition from us. At the same time, we would be remiss if we failed to emphasize that you are dealing with a very intricate mechanism that has been evolved over a period of some 60 years or more, and we would be irresponsible if we did not earnestly suggest that hasty action that overlooked vital consideration could reverse the gains that have been made by past generations.

We recognize that eastern feeders have a large stake in the circumstances that surround the provision of their grain supplies. In serving this interest it would be regrettable to overlook the equally vital fact that the western farmer is almost totally committed to the efficiency and fairness of the grain marketing system. It would be quite possible to take action that would alter the situation of the eastern feeder at a very heavy cost to the western grain producer and to his marketing system, of which the Winnipeg Grain Exchange is an important and necessary part. This cost to the western farmer, by causing,

as it must, a sharp reduction in western feed grain supplies, would quickly impose an equal or greater burden on eastern farmers who rely on western grains to meet an important part of their feed requirements.

## II. The role of the Winnipeg Grain Exchange in the marketing of feed grains:

On December 5, Mr. Riddel and his associates discussed with you the role of the Canadian wheat board in the marketing of feed grains.

Commented Mr. Riddel:

It is the responsibility of the Canadian wheat board to assure that adequate supplies are available at the lakehead terminals to meet the needs of the eastern Canadian feed grain market. It is the responsibility of other interests to arrange for the forwarding of this grain to eastern Canadian destinations.

Mr. Riddel has already described for you what we would like to call Stage I in the feed grain marketing process. We believe that the domestic marketing of feed grains falls naturally into three stages and it will be our privilege today to carry you one stage further—Stage II—in your investigations.

First perhaps we should roughly define these stages.

Stage I is the movement of the feed grains from prairie farms to the lakehead. The actual buying at country points is performed by the elevator companies. They buy to the account of the Canadian wheat board and move the grain, as instructed, to the lakehead terminals. We would wish to endorse Mr. Riddel's assessment of the board's task and the way it has been carried out. He stated that:

The Board endeavours at all times to have a constant supply of the various types and grades of grain at terminal positions to meet requirements in relation to the indicated demand. Occasionally factors such as miscalculation of demand, weather conditions, unfavourable crops and preference movement of other grains may upset the above policy temporarily, but generally a fairly high degree of successful achievement is maintained.

When the grain reaches the terminals the elevator companies deliver to the Canadian wheat board the warehouse receipts or other documents which evidence that the grain has been placed in storage at terminal position. The grain belongs to the Canadian wheat board. The board establishes a daily price and offers to shippers, exporters and others who wish to buy grain for immediate or future delivery.

In this connection we might be most helpful by quoting comments made before you by the assistant chief commissioner of the Canadian wheat board, Mr. Riddel, when he appeared here a week ago.

Said Mr. Riddel:

We have already indicated how the movement takes place and that the board eventually receives possession of documents evidencing ownership of the grain in terminal positions. The marketing of the grain by the board for the eastern market is thus reduced to disposing of the warehouse receipts covering grain in store Lakehead terminal elevators.

Consistent with demand, the board's sales departments very probably have entered into forward sales contracts with members of the regular grain trade who undertake the responsibility of servicing the feed grain requirements of the eastern Canadian market. In such event, warehouse receipts corresponding with the quantities and grades involved are



then invoiced to the buyer by the board in accordance with these contracts, payment received and transactions completed. The buyers, in turn, arrange for the forwarding of the grain to eastern destinations where it will eventually pass through the eastern trade to reach the feeders in the form of either bulk grain or prepared feeds as required.

Alternatively, if forward sales for the grain have not been made and buyers are not immediately available, the board would hold the warehouse receipts for later sale. In the case of oats and barley it would endeavour, if it were considered to be in its interests to do so, to make sales on the futures market of the Winnipeg Grain Exchange by entering into contracts for future delivery and would fulfil these contracts in accordance with the trading rules of the exchange.

The board fixes its asking price for grain in store Fort William/Port Arthur and posts them in the Winnipeg Grain Exchange at the close of the market each business day. Prices for low grade wheat are usually fixed in relation to the prices of higher grades, the spreads varying in accordance with supply and demand. On the other hand, the asking prices for oats and barley are related to the futures market, board prices for these grains being usually slightly higher than Winnipeg market quoted prices which are established by bids in the hands of the brokers.

In other words, when the warehouse receipt is purchased the grain changes hands and is available for shipment or disposal. With one qualification that marks the conclusion of the control and involvement by the Canadian wheat board, and it marks the end of Stage I.

The qualification relates to the necessity of the wheat board not excessively committing to export grain, space in eastern terminals essential for adequate storage of feed grains for domestic use. As Mr. Riddel hinted there might have been occasions in the past when the balance between export and domestic grain might have been improved; but adequate space has been held in recent years and there is little question today of the priority given in this matter for feed grains for eastern farmers.

Stage II: It is in this second stage that other members of the Winnipeg Grain Exchange are involved and it is at this stage that we feel that we can be particularly helpful to you. The shippers and exporters, who may have bought months before for future delivery—pick up these warehouse receipts, take title to the grain at the lakehead at the Canadian wheat board offering price, and move the grain to the St. Lawrence ports and into storage there.

For your convenience we itemize the charges and the price of a bushel of feed wheat, oats and barley from delivery at a central Saskatchewan point right through to the "in store" position at the St. Lawrence ports. To avoid the possibility of any question as to the figures being selected or adjusted to alter the appearance of the true state of affairs we have taken the figures presented to you by the Canadian wheat board and the figures presented to you by Mr. C. R. Phillips of the Department of Agriculture, Ottawa. We checked the figures very carefully. We have had them checked by the individual companies involved in feed grain purchase and movement. Sirs, the Canadian wheat board, the Winnipeg Grain Exchange, the board of grain commissioners, shippers and exporters and technical grain spokesmen for the government of Canada are on record as to the validity of these figures. They represent a determined effort to inform you as to real costs and as to prices at various points in the market stream for feed grains.

They do not analyze for you the amount that remains with the shipper as a profit or, it is fair to say, the losses that from time to time result in the involuntary subsidization of this movement by the shipper. Both profits and



losses do occur. However, it seemed to us that it might be more appropriate to discuss this with you fully at the conclusion of this presentation and, as I noted, several shippers are here with me and they will answer questions on this, as on other matters.

I would now like to discuss with you the table that follows:

Feed Grain Prices Basis in Store Lakehead and Estimated Average Costs of Moving Western Feed Grains from a Mid-Prairie Point

(Scott, Sask.) to Montreal, November 20, 1963<sup>(1)</sup>

|  | No. 5<br>Wheat | No. 1<br>Feed<br>Oats | No. 1<br>Feed<br>Barley |
|--|----------------|-----------------------|-------------------------|
| Estimated Price at Scott <sup>(2)</sup>        |                |                       |                         |
| (Marketing Costs not deducted) ..              | 166.70         | 64.18                 | 92.71                   |
| Interior Handling Costs .....                  | 4.50           | 3.50                  | 4.50                    |
| Rail Freight to Terminal .....                 | 13.80          | 7.82                  | 11.04                   |
| Price in Fort William .....                    | 185.00         | 75.50                 | 108.25                  |
| Lakehead Elevation .....                       | 2.84           | 2.84                  | 2.84                    |
| Lake Freight <sup>(3)</sup> .....              | 9.50           | 8.00                  | 9.00                    |
| Vessel Brokerage .....                         | .25            | .25                   | .25                     |
| Insurance (Marine, etc.) .....                 | .25            | .25                   | .25                     |
| St. Lawrence Outward                           |                |                       |                         |
| Elevation & Switching .....                    | 1.50           | 1.26                  | 1.47                    |
|  | 199.34         | 88.10                 | 122.06                  |
| Deduct Freight Assistance .....                | 15.00          | 8.50                  | 12.00                   |
| Net Cost on Track <sup>(4)</sup> Montreal .... | 184.34         | 79.60                 | 110.00                  |
| Brokerage .....                                | 1.25           | 1.25                  | 1.25                    |
| Gross Wholesale selling                        |                |                       |                         |
| Price (4) Montreal .....                       | 185.59         | 80.85                 | 111.25                  |

*Footnotes to Table:*

(1) As noted earlier this table was compiled from data available from official Government sources. Most of the statistical information has already been made available to the committee. Committee members are referred to the table in the Canadian wheat board brief showing lakehead monthly average feed grain prices in recent years. Members are then referred to a table submitted by the Canada Department of Agriculture showing estimated average costs of moving feed grains from the lakehead to Montreal. The estimated average cost of moving feed grains from a selected country point to the lakehead comes from information published or supplied by the board of grain commissioners.

(2) The price at the elevator is not the payment received by the farmer. In the first instance, he receives an initial price, less handling and freight charges to the lakehead. The final realized price received by the farmer is determined by the average final price received by the Canadian wheat board for his grade, from which is deducted storage costs and wheat board marketing costs. There is also the cost of trucking the grain from the farm to the elevator.

(3) According to the Canada Department of Agriculture the lake freight rates averages have varied as follows this year:

|              |                      |
|--------------|----------------------|
| Wheat .....  | 9 to 12½¢ per bushel |
| Oats .....   | 6 to 11¢ per bushel  |
| Barley ..... | 7½ to 12¢ per bushel |

We would be willing to discuss these rates further with the committee. The above figures are averages. If individual charters are considered the lake freight rates would, over the year, have ranged more widely.

(4) Carrying charges are also variable depending upon the length of time the grain is carried. The Canada Department of Agriculture has made the following estimates:

- (a) Interest on money invested in grain between the purchase date at the lakehead and the selling date to retailer varies by merchant, but can be calculated at approximately 7 per cent or  $\frac{1}{2}$  cent per month. (Comment: The 7 per cent interest charge is higher than that charged by Winnipeg shippers. Currently the charge made by chartered banks to the shipper, and followed almost universally by the Winnipeg shippers, is  $5\frac{1}{4}$  per cent.)
- (b) Storage cost in eastern elevators: storage cost is 1/30¢ per bushel per day or one cent per month. (Under current federal storage assistance policy all of this cost factor is reimbursed for the period October 15 to April 15 of the following year.)

This concludes the material specifically related to these costs. As we noted earlier, members of our delegation will gladly deal verbally with the further question of merchandising profit and loss but we would first wish to put on the record the final two short sections of this brief.

### III. The Significance of Futures Trading:

Before reaching any policy decision involving changes in national feed grain policy, it is desirable that members should be familiar with the advantages of the present marketing system, which, as we have said, is essentially a combination of public and private enterprise working together to market the farmers' grain with efficiency and dispatch in the best interests of the farmer and the nation as a whole. We wish to elaborate on some of the strengths of this system:

(1) The present system is responsive to market influences of all kinds and from all directions. The value of the grain with respect to world conditions is constantly reflected in the daily price. Any new policy that restricted the futures trading in feed grains and resulted in the futures market becoming inoperative or ineffective in the export business would be detrimental to sales of oats and barley. A fluid futures market which affords a hedging facility for cash grain merchants is a tremendous asset in narrowing the price spread between producers and consumers. The elimination or narrowing of the market would impair the competitive forces which benefit both western growers and eastern feeders.

(2) Although there are cases in which fixed prices may serve the public interest well, in general it is acknowledged that market-determined prices are safer and economically more sound than politically or institutionally determined prices. In the case of feed grains where the political pressures from eastern farmers and feeders will be in the opposite direction to those of the western producers the hazard would be real and immediate.

(3) It should not be supposed that the above statement is contradicted by the success of the Canadian wheat board in arriving at a domestic wheat price. In wheat Canada is operating in a competitive world market and, relatively speaking, domestic sales are small. As a consequence the board is not caught between the aspirations of producers and consumers in different regions of the nation. Nevertheless, as you know, the government of Canada has been under

pressure from western wheat producers for a good many years to establish a domestic price for wheat above the level of the export price. Indeed, the acreage payment made on several occasions to western farmers in recent years was defined as a method of assistance in lieu of a two price system for the wheat grown by prairie farmers.

(4) The wheat board's use of the futures market as an arbiter of price enables it to merchandise grain in a way that is to the best advantage of the western farmer and of the eastern consumer.

(5) The interplay of supply and demand results in maximum competition in the trade which in turn ensures minimum price spreads between the western producer and the eastern consumer. It has been demonstrated that competition in the movement of grain to the distribution centres in eastern Canada has pared costs to a minimum. It is hard to see (a) how these minimal costs can be further reduced and (b) how such reduction would measurably alleviate the economic problems of eastern farmers.

While we feel it necessary to emphasize the strengths of Canada's distinctive public/private grain marketing system, we do not argue that this system is without flaw. That would be to claim a degree of perfection which human institutions do not possess. The real question at issue is the welfare of Canadian farmers—eastern and western—and it is surely rational to ask, considering the strengths of the present system, if wise policy should not be directed to correcting the operational imperfections, rather than limiting the advantages of the system.

In this connection we might appropriately make the following points:

(1) In past years spreads between nearby and succeeding futures, in failing to reflect storage costs, have been subject to criticism. For example, there have been instances in which the October future was at a premium over the December and later futures. When such a situation arose the ability of a shipper to hedge against storage charges was lost and the incentive to move grain stocks to eastern positions was considerably diminished. This could be the result of inadequate stocks of feed grains at the lakehead prior to the close of navigation. As a consequence of any such shortage, nearby futures tended to rise to a premium over later futures, thus impairing the hedging mechanism.

The Canadian wheat board is aware of this situation and attempts to reconcile the need to maintain in position adequate supplies of feed grains with its other manifold responsibilities. While in such complex operations perfection can never be fully attained, we nevertheless agree with Mr. Riddel that "generally a fairly high degree of successful achievement is maintained." In addition, the Canadian wheat board has instituted a provisional pricing system for oats and barley moved from the lakehead to eastern elevators. It is similar to the provisional pricing policy which has been in effect for feeding wheat.

(2) Until the recently announced federal storage assistance policy, the freight differential between all-rail and water movement could cause a seasonal price increase to eastern consumers. Due to the accumulation of storage and interest charges through the winter months, costs continued to rise on water-shipped grain with prices following.

Under these circumstances feed grain merchants sustained a very significant inventory loss on any feed grains held in reserve and still in stock when navigation opened. To avoid this, merchants attempted to anticipate as accurately as possible the needs of their customers. Confronted with many variables, the likelihood of miscalculation was considerable and over or under estimation of supply could occur. This tended to increase the variability of



supply and the amplitude of price fluctuations—matters of direct and obvious concern to eastern feeders. With the new storage policy, this problem should now be largely eliminated.

It is our sincere and considered opinion, looking at it from the point of view of the welfare of both eastern and western farmers, of the Canadian wheat board and of the other segments of the western grain trade, that any policy that resulted in the disappearance of the futures market in trading in oats and barley would prove to be disadvantageous.

I would like to suggest, as we have not covered the mechanics of the futures trading, that I should ask a colleague perhaps to explain in a few words the mechanics of this operation at the end of our brief. That may be of assistance to you.

The VICE-CHAIRMAN: Certainly. I am sure the committee would wish you to do this.

#### IV. Possible Economic Implications to Western Grain Producers and to Eastern Feeders of Alternative Policy Proposals:

In a brief presented by La Cooperative Federee and L'Union Catholique des Cultivateurs on October 18, 1963, the following statements occur:

The policy of freight assistance is insufficient, in the aforementioned conditions, to close the gap between the price of grains in the west and their price in the east.

Again they note:

At the level of finished animal products, or simply in the carcass state, in the matter of grains not subject to quotas, the official policy of the Wheat Board gives a decisive and permanent advantage in favour of the western livestock producer. In these conditions, the latter is able to produce sufficient livestock to jeopardize a good part of eastern agriculture or, in any event, to adversely affect its income.

The essential argument contained herein is that the western farmer as a livestock feeder should have taken away from him the locational advantage of being near to the source of major feed supplies. He is to lose this locational advantage whether, as a feeder, he is using his own grain, is buying from a neighbour or is buying from a feedmill.

Proximity to feed supplies does give the western feeder a clear advantage in the purchasing of feed. However, the eastern farmer and feeder has a clear locational advantage in terms of proximity to markets.

These locational advantages are offsetting, at least to a degree. If the locational advantage of the western feeder, vis-a-vis feed grain supplies, is wiped out there must, in common equity, be a compensating adjustment for the western feeder. Presumably, this would take the form of a subsidy on the movement of western cattle to the eastern market. Indeed, at their annual meeting in Winnipeg the Manitoba Farmers' Union passed a resolution which reads:

Whereas the recent feed grain rate subsidy has given the Eastern livestock producer a decided advantage in the larger markets and can prove detrimental to western finishing of livestock:

Therefore, be it resolved that the federal government institute a freight rate subsidy on the shipment of live and dressed livestock for eastern markets.

Sirs, we are not inflexibly insisting upon the maintenance of the status quo, if the status quo is giving less than economic justice to one of the important regions of Canada. But we are insisting that, as between eastern and

western livestock feeders, the competitive situation is much more complex than is implied in the brief we have quoted. The east has a clear advantage in dairy and poultry production as a result of the proximity to markets. The west has a clear advantage in beef production but, very frankly, this is more as a consequence of the availability of pasture than the level of feed prices, although both contribute. In terms of hogs there appears to be a reasonable balance—the locational advantage of the west with respect to feed grains is offset by the locational advantage of eastern Canada with respect to the proximity of the main markets.

We respectfully submit that the real problems are different from the assumed problem of western locational advantage. They can be summed up as follows:

(1) There will be no net gain to eastern agriculture simply through depressing western agriculture: the narrowing of the locational advantage regarding feed grain supplies between east and west would have a minimal effect in improving eastern agriculture relative to western; the real need is to raise absolutely the level of eastern agricultural productivity.

(2) Low productivity on many eastern farms leaves them in an economic situation which no change in feed grain policy can resolve: the real competition in the east, as in the west and everywhere else, lies between the good, efficient eastern farms and the small, uneconomic and inefficient eastern farms. If there is exploitation in feed grains anywhere in the chain of marketing we would wholeheartedly agree that it should be isolated and eliminated. But the real competition is still between the small farmer who buys a few bags of grain or mixed feeds in competition with his neighbour down the road who has the capital and storage so that he can purchase his grain and mixed feeds in large bulk lots. To ease the problems of the small farmer, we respectfully submit, broad, dynamic programs of agricultural adjustment and development are required. Inappropriate changes in the marketing structure for feed grains could gravely injure the western farmer while scarcely touching the real problems of the eastern agricultural industry.

(3) A reduction in the price of feed grains relative to bread wheat would result in a shift to wheat and very gravely prejudice the supply of feed grains for shipment from western Canadian farmers to eastern feeders. Mr. Riddell hinted at this in his submission; he noted:

The area seeded to barley in western Canada has fluctuated between 9.6 and 5.1 million acres during the last ten years. There seems to be a downward trend in barley acreage. In 1953 barley acreage was 8.6 million acres and by 1963 it had dropped to 5.9 million acres.

Prairie farmers can easily shift to other crops and already barley is finding it hard economically to compete for prairie acres; if any efforts to force down the price of barley received by western producers are successful we advise as soberly as we can that, unless a decline in the price of wheat occurs concurrently—and that cannot be anticipated—the new pricing arrangements will simply dry up the supply of barley from western Canada. Feed wheat is a by-product of the attempt to grow good milling wheat, so it is not a reliable substitute. Oats production might be maintained at a lower price but it would hardly increase to take up the loss of barley production, even if oats were a precise substitute.

(4) If the argument is that feed prices to the western producers are not in question, but only the price to western feeders relative to the price to eastern feeders, we come back to the relative locational advantages of the eastern feeder and the western feeder. A policy designed to push up the cost to western feeders of their feed supplies can be of no conceivable help to the eastern feeder. The



main competitor for the livestock and livestock product markets of the small and inefficient farm operation in eastern Canada is not located in the west; as we noted before, he is the small farmers' larger and more efficient neighbour.

## V. Summary

We have examined the feed prices to the point where the grain moves out of the hands of the western institutions—the Canadian wheat board, the Winnipeg grain exchange, the shipper and exporters. We have illustrated and confirmed costs and have demonstrated that government participation in the bearing of costs through feed freight assistance results in feed grain being available for purchase in store St. Lawrence ports at a price that is almost the same as the price at which it is purchased in store the Lakehead.

In this we have, as fully and frankly as possible, dealt with what we have called stage I and stage II of the movement of feed grains to eastern livestock feeders. This has placed the feed in store St. Lawrence ports. We have not attempted to carry the grain through stage III, which is the movement from in store St. Lawrence ports out to the farms and feedlots in Quebec and other parts of eastern Canada. It is our assumption that you have discussed or will discuss this with the merchants, co-operatives and feed manufacturers who are involved in this final movement and processing. In any case, we could not conceivably be regarded as authorities in the final, stage III operations.

We hope that we have not left the impression that we are standing four-square on the status quo. That is not our intention. Our hope is that we have succeeded in being positive and helpful. We are not indifferent to the circumstances and welfare of eastern Canadian feeders. You will, however, understand that we would be reluctant to see the adoption of policies that would seriously impair the position of the western farmer and livestock feeder, that would attempt to achieve some improvement of the position of the eastern feeder at the cost of the economic welfare of the western farmer, or that would destroy or damage a marketing system that has been built up efficiently and economically to serve the interests of farmers—eastern and western—as well as the grain trade and the economy of this nation.

Mr. Chairman, may I call on Mr. Kroft to give a short explanation of the mechanics of the futures market?

The CHAIRMAN: Gentlemen, we will have a short statement by Mr. Kroft.

Mr. CHARLES KROFT (*Member of the board of governors of the Winnipeg Grain Exchange and Chairman of the Shippers and Exporters Association*): Mr. Chairman and gentlemen, you have before you a booklet which has just been published by the Winnipeg Grain Exchange which is not for release until January 1, 1964, so in effect we are having a preview placed before you. At the bottom of page 48 of that booklet we have a reference to the futures market. I would like with a very simple illustration to suggest to you how the futures market operates; and I would then like to leave the matter to you for questioning. We will try to answer any questions between us to assist you a little further on any points that may not be quite clear to you.

The futures market, as our president has told you, has been in operation in Canada for something over 60 years. It was first instituted during the time when grain was handled through the private trade, purchased by the private trade from the farmers. This system was instituted to try to minimize the risks involved in buying the grain and moving it forward to a position at which it could be sold.

As an example, if under today's methods the Canadian wheat board buys 10,000 bushels of No. 1 feed barley in the province of Saskatchewan—which figures are reported to them by their various agents who handle this grain



for them in the country—they may believe that at that particular time the price which is reflected in the futures market is at a sufficiently high level that they would like to sell that barley on that particular day. As an example, we might suggest this is some time in the month of July. The nearest futures market is October. They may sell 10,000 bushels of October futures on July 15. They will then have the opportunity of moving this grain forward into position some time before the end of October to complete the contract by delivering through the futures market this 10,000 bushels of No. 1 feed barley. If that barley should arrive in Fort William on September 1, and there is a demand at that time for No. 1 feed barley, then they sell that No. 1 feed barley to a shipper, to an exporter, to a consumer in exchange for their contract for this 10,000 bushels. If in the interim the price of barley has increased by two or three cents a bushel, they would have a loss on the futures contract, but there would be an offsetting increase in the actual price they receive for the No. 1 feed barley.

In the reverse position, if a wholesaler in the province of Quebec, in the middle of July, wishes to sell to some of his buyers, say a hog feeder, for example, some feed which will contain 10,000 bushels of No. 1 feed barley, he may approach one of a number of shippers with whom he has contract in Winnipeg and ask him to submit a price delivered into the city of Quebec for the 10,000 bushels of No. 1 feed barley. He will receive prices based on the futures price of that day. The shipper who is offering him this barley will decide at what price he can buy on that particular day, and at that particular moment, his 10,000 bushels of October futures. On that price his delivered price will be based, taking into account the price he must pay for the No. 1 feed barley on the day of shipment, which may be the middle of September, plus all the other charges which have been listed for you in the schedule.

Conversely, if this wholesaler believes that for some reason or other the price may be less in the future, possibly because he anticipates that lake freight rates may go down, he may just purchase 10,000 bushels of October barley as a hedge. This then allows him to sell to his buyer, for delivery in October or November, well ahead of the time or the period when his buyer may want to buy this grain, but who may want to protect himself against a possible change in price because of future market fluctuations. He may buy just the 10,000 bushels of October barley. If by the time he decides actually to buy the No. 1 feed barley the price has gone up, he will still be able to deliver to the actual consumer at the agreed price in July, but he will have the offset of the advantage of the price of the October futures in the interval. So in effect he has not lost or made any money; but he has been able only to receive his normal profit, the profit that the wholesaler in the city of Quebec might consider a justified profit when the transaction was first entered into.

Gentlemen, I have tried to make this as simple as possible by quoting an example. I quite appreciate there may be some people who do not fully understand this or there may be some points which are not fully understood; any one of us here would be very pleased to answer any questions.

The VICE-CHAIRMAN: Thank you very much Mr. Kroft.

Gentlemen, do you wish to proceed with each item in the brief separately or do you wish to ask questions on the report at random? Perhaps I may suggest that it would be better to go through the brief one section at a time.

I have so far recognized Mr. Vincent, Mr. Pigeon and Mr. Horner. Mr. Pigeon would like to ask one question on the introduction.

Is it the wish of the committee that we shall proceed with the brief one section at a time?

Agreed.

Mr. PIGEON: Early in your brief you state:

They are anxious to place their experience at your disposal and to answer as fully and honestly as possible...

What do you mean by "as fully and honestly as possible"? I was surprised when I read that.

Mr. CLARKE: We will do our very best, sir.

Mr. PIGEON: It is very important that you gentlemen should answer honestly if we ask a direct question.

The VICE-CHAIRMAN: I believe, Mr. Pigeon, the statement was made in an effort to impress upon the committee that they will do their very best to answer any question to the best of their ability and knowledge.

Mr. PIGEON: I do not know whether other members of the committee share my views, but I think it is apparent from your brief that you try to divide the country. You speak of eastern farmers and of western farmers. I think the essence of your brief is to divide the country. I think this is not right.

The CHAIRMAN: Thank you very much, Mr. Pigeon. We will proceed now with section I.

Mr. VINCENT: Mr. Chairman, my questions may switch from section I to section II.

Mr. HORNER (*Acadia*): I think we should keep to section I at the moment.

Mr. VINCENT: I would like first of all to make a short observation on the brief. It is a very good brief, and I must say to the people who are here today that we do not have the intention of discussing western farmers' profit versus eastern farmers' profit. I think we have never had this intention. When we are discussing feed grain we speak not of the price the western farmers are receiving; we speak of the fluctuation in the prices which we have to pay in eastern Canada, and we say that this fluctuation of price does not benefit the western farmer when it is high. When the price goes up, the western farmer is not receiving one cent more from the additional price that we are paying in eastern Canada. Therefore I do not want to give you the impression that we are dissatisfied with the price the farmer in western Canada is receiving. The farmers in western Canada are receiving a price; they were organized together and we think they are able to handle that problem themselves, and therefore we do not want to discuss it.

My first question is this. Would it be possible for you to tell us the exact number of firms which buy oats and barley through the Winnipeg Grain Exchange from the wheat board?

Mr. KROFT: I am afraid it would be impossible to say because there are 420 members of the Winnipeg Grain Exchange, and it is possible for any one of those members to buy oats or barley through the Winnipeg Grain Exchange. One never knows when the transaction is made who may be the actual purchaser, with the exception of the person who has made that purchase, of course.

Mr. VINCENT: Maybe I can put my question in this way. What would be the major firms buying oats and barley from the wheat board? There are certain firms which are buying specifically oats and barley.

Mr. KROFT: Mr. Chairman, in that connection there are 29 firms listed as shippers and exporters and agents of the Canadian wheat board. It would be my belief that any one of those members could at any time buy oats and barley from the Canadian wheat board. However, whether those purchases might be for use within Canada or for export we would not know.

Mr. VINCENT: Do you think this statement might be correct, that there are four firms who are buying oats and barley for eastern Canada and that those firms are buying between 75 and 85 per cent of the oats and barley for eastern Canada? I will name them: Maple Leaf Mills; Richardson; McCabe; and Agro. I have given the names of four firms, and the information I have been given is that these four firms are buying between 75 and 85 per cent of all the oats and barley for eastern Canada.

Mr. KROFT: It would be impossible for any one person to know the exact percentage, but I would venture to say that probably there are between eight and ten firms who are the main suppliers of oats and barley for eastern Canada. As to the percentage, I am afraid that information is not available because only the firm involved would have the information on its own particular purchases.

Mr. VINCENT: So this may be between eight and nine firms?

Mr. KROFT: I would suggest between eight and ten firms would be handling most of the purchases for eastern Canada.

Mr. GORDON PATERSON (*Member of the Winnipeg Grain Exchange and Vice-Chairman of the Shippers and Exporters Association*): And also the domestic shipments.

Mr. VINCENT: My last question is in connection with something with which you dealt a few moments ago, but I want to get this information clear in my mind. For example, if I buy oats or barley from the wheat board I am paying between five and eight cents per bushel more than when I buy from Maple Leaf Mill, Richardson, McCabe or Agro.

Mr. KROFT: I am sorry, sir, I do not quite follow your question.

Mr. VINCENT: If an agent or feed mill was buying directly from the Canadian wheat board he would have to pay between five and eight cents more per bushel for wheat and barley than he would pay if he bought from Richardson, McCabe, Agro or Maple Leaf Mills.

Mr. KROFT: Do you mean by that that his price delivered to his own particular place of business would be five to eight cents per bushel more if he bought it himself?

Mr. VINCENT: Yes.

Mr. KROFT: I have never seen figures that would suggest that is the case, and I am afraid I could not give you an answer to that.

The VICE-CHAIRMAN: I will ask Dr. Phillips to answer that.

Mr. C. R. PHILLIPS (*Director of the Plant Products Division, Department of Agriculture*): That would be the case when the lake rates are so low that the government subsidy is in excess of the costs. When the subsidy on transport is greater than the cost of the transport, then an eastern farmer would be buying at a lower rate in the east than he would buy from the wheat board at the lakehead.

Mr. PIGEON: How many countries in the world have a body such as the grain exchange we have here in Canada?

Mr. PATERSON: The United States and England. There is a futures market in wheat in Rotterdam, Holland and Buenos Aires in the Argentine.

Mr. HORNER (*Acadia*): And Australia?

Mr. PATERSON: No.

Mr. PIGEON: What would you think if the government stabilized wheat prices to British Columbia and eastern farmers so that they would be able to buy grain at a price which would enable them to produce all they wanted?

Mr. PATERSON: One fixed price?



Mr. PIGEON: Yes; the same as it is stabilized in respect of butter and other farm products.

Mr. KROFT: Grains are grown in every country in the world, and climatic conditions vary greatly. The size of crops of various grains very seldom can be determined. The supply and demand have a tremendous effect on prices all over the world. I might suggest to you that the wheat board who are handling wheat has not found it possible to stabilize a price for wheat which would exist through the whole year. The wheat board price fluctuates, based on supply and demand and conditions.

Mr. PIGEON: But the government is doing the same thing in other fields; for instance, with butter, cheese and other farm products, and many countries in the world produce cheese and butter too.

Mr. HORNER (*Acadia*): But more for a local market is our butter and cheese stabilized in Canada.

Mr. PIGEON: I am speaking for the local market in this country.

Mr. PATERSON: I think if you put it on in January or whatever day of the year with a fixed price for the following 12 months, it occurs to me the possibility might be that the eastern feeders could be paying considerably more than the world market price for the balance of that year, depending on what conditions might prevail. The world market varies. In Canada we have a surplus in respect of grains and look to world markets. Predominantly in the case of feed grains we sell to eastern Canada, particularly in the last few years; but there have been a number of years when the large quantities of barley and oats have gone for export as well.

Mr. PIGEON: I am not speaking in respect of the export market. If the government stabilized the price of wheat I do not think it would hurt others and would permit us eastern farmers to have no speculation. I think that would reduce the price of wheat and would not hurt the western farmers. Do you share my view?

Mr. PATERSON: The biggest part of the western wheat crop goes for export. Therefore, the prices of the main grades of wheat reflect the international value of wheat.

Mr. HARKNESS: I might say there is no comparison between dairy products and grain. So far as butter is concerned, we can maintain a stabilized price here because we have import control and prohibit butter coming in from any other country. On the other hand, grain is a world wide commodity, and we have to export most of it. There is no comparison between the two products.

Mr. KROFT: I would not like to suggest that the government of Canada do anything under this. It is quite possible for them to stabilize and arrange prices, but then it would become a political price. I do not believe it would be possible to satisfy both the producer and the consumer, because there would be no guide by which either the producer or the consumer could be satisfied he was receiving the proper price.

Mr. PIGEON: But I think each year you have in Geneva an international agreement involving all countries that produce wheat, and a price is fixed in the international export field.

Mr. PATERSON: No. There is a minimum and maximum price spread.

Mr. KROFT: A spread of about 40 cents a bushel.

Mr. PIGEON: I think that is all I have at the moment, Mr. Chairman.

The VICE-CHAIRMAN: I was going to remind you that you are getting a little out of the first group here.

Before I recognize Mr. Horner, Mr. Lagace, who also is a member of the Winnipeg Grain Exchange, would like to make a correction in the French brief. I would ask him to do that now.

Mr. B. LAGACE (*Special Assistant to the President of the Winnipeg Grain Exchange*): (*Interpretation*) There is a correction on page 15 of the French brief. This is in the second last paragraph. At present it reads to the effect that the proximity of sources of feed does not give the western producer a definite advantage for the purchase of feed grain. It should read: "does give a definite advantage".

The VICE-CHAIRMAN: Thank you very much.

Mr. HORNER (*Acadia*): In respect of page 3, and referring to the parties concerned in the grain movement, would all brokers be agents of the wheat board?

Mr. KROFT: No, sir. I do not think that allusion to brokers has reference to agents of the wheat board.

Mr. HORNER (*Acadia*): But some brokers also are agents?

Mr. KROFT: No, sir. The reference to brokers here is with regard to brokers who act between members of the Winnipeg Grain Exchange.

Mr. HORNER (*Acadia*): And the wheat board?

Mr. KROFT: They are members of the Winnipeg Grain Exchange and they act between members.

Mr. PATERSON: I think the word "broker" is used in the sense you use the word "merchant".

Mr. HORNER (*Acadia*): At the bottom of page 3 you suggest that the futures market price for oats and barley is generally used by the board in determining its sale price for these grains. Oats and barley still trade on the futures market.

Mr. KROFT: Yes, sir.

Mr. HORNER (*Acadia*): Wheat does not.

Mr. KROFT: Yes.

Mr. HORNER (*Acadia*): If the futures market sets the price for oats and barley, or sets the price for wheat, the wheat board would have knowledge of the world demand.

Mr. KROFT: Of course, there is quite a lot of information the wheat board does have available to them. They have information in respect of prices all over the world at all times. Much of that information is supplied to them through our agents who have offices, or through agents of their own in different parts of the world. The wheat board then is able to establish prices based on relative supplies and known demand.

Mr. HORNER (*Acadia*): Dealing with the futures market and the prices of wheat, oats and barley—I am not too clear on the futures market—what determines the amount of, say, oats that can be sold on the October futures, for example?

Mr. PATERSON: The seller has to be satisfied that if he sells for October delivery he will be able to make the delivery of the physical article on or before the end of October. They have to have transportation available to get it into position.

Mr. HORNER (*Acadia*): I have no further questions.

Mr. DANFORTH: Mr. Chairman, I would like to add my comments along with those of my colleagues, Mr. Vincent and Mr. Pigeon, in respect of the brief. I think it is the intent of the committee not to jeopardize any profit to the western producer with regard to sales in the east. We are in favour of the western producer of grain getting everything that is coming to him.

Mr. HORNER (*Acadia*): What about the western livestock feeder?

Mr. DANFORTH: I think what we in the east primarily are concerned about is that at no place in the channel of grain movement between the western producer and the eastern feeder does any one segment of the trade take an excess profit. I think if we in the east are satisfied there is a normal profit, then we would be satisfied that the normal trade is all right. We suspect that there are certain parts in this chain between the man who feeds us in the east and the grower of grain in the west, where there is profit-taking to excess which would account for the tremendous prices we pay at times. This is what we are after; that is, to find out whether such a situation exists and what we can do to get around it so far as we in the east are concerned. The question I would like to pose is in respect of the membership of the exchange, as I see it here, with all the segments of the trade congregated on a central floor. Is it not possible with the buying and selling on the exchange, or between shippers, exporters and brokers, to have a profit-taking on the floor which would not add anything to the receipts of the western producer, but would, in effect, increase the cost to the eastern feeder? In other words, is there not room here for financial speculation?

Mr. KROFT: The very fact of the futures market operating as it is obviously permits what you refer to as speculation because if somebody who is not interested in the actual grain itself chooses to buy or sell futures, he is permitted to do so. However, I would suggest that the very system itself has eliminated the maximum amount of speculation in the handling of grain that it has been possible to eliminate. It has narrowed the margin necessary to properly handle the grain right from its very origin.

Mr. DANFORTH: I can appreciate that, but is it not possible in case of a shortage in one specific grade, as we experienced a few years ago, for instance in respect of oats, when the supply more or less regulates the price from day to day, and the futures price is regulated by the futures supply for brokers or grain merchants, that a small number of them would buy any surplus, or what might be termed a surplus, off the market and in so doing cause an increase in the futures prices, and then sell and make an excess profit, or make a profit which in itself would add to the cost to the eastern feeders. Is that not possible?

Mr. KROFT: I would like to say, sir, because of the fact that oats and barley are grown in so many places in the world that it possibly is very much restricted because you always have competitive feeds including the same feeds which can be brought in from outside Canada at times like that, which was done during the period of which you are speaking. The wheat board have the control over the importation and exportation of these grains. At that time they saw fit to allow the importation of oats into Canada which enabled the people who were involved in the movement of these feed grains to their regular customers to go out of Canada and supply import grains at a lower price than that which prevailed in Canada, because of the shortages.

Mr. DANFORTH: Would that not cause an increased price owing to the fact that you had export transportation costs and two brokerage fees instead of one? You would have the fee of the broker in the foreign country selling the grain and the fee of the broker in this country buying the grain.

Mr. KROFT: The same thing would happen whether or not you had a futures market.

Mr. DANFORTH: My question is not directed against the futures market. My question is directed this way: is it not possible to have speculation or profit-taking on the Winnipeg Grain Exchange to cause an increase in the price of grain to eastern feeders without an increase in the profit or in the prices paid to the western producer?



Mr. KROFT: I would think most of that increase would be reflected back to the western producer.

Mr. DANFORTH: Let me put it another way. Is it not possible for John Smith in Halifax, through a local broker, to buy 100,000 bushels of grain on the Winnipeg market?

Mr. KROFT: Yes, sir.

Mr. DANFORTH: Is it not possible for him to hold it for three months, and, if there is a profit of 3 cents a bushel, to sell this feed grain?

Mr. KROFT: A profit or loss; yes.

Mr. DANFORTH: Therefore, he will have made \$30,000 at Halifax?

Mr. KROFT: Or he might lose that.

Mr. DANFORTH: Yes; but because he has made \$30,000 in Halifax, does that not add to the cost of the grain to the eastern feeders?

Mr. PATERSON: The time you are speaking of was 1961, I presume?

Mr. DANFORTH: I am not giving specific examples. I am trying to determine whether it is or is not possible for speculation on the exchange to increase the price to the eastern feeders.

Mr. KROFT: Both increase and decrease.

Mr. DANFORTH: It is possible?

Mr. KROFT: Yes.

Mr. DANFORTH: Those are my questions.

Mr. EMARD: My question does not refer in particular to this paragraph.

The VICE-CHAIRMAN: The role of the grain exchange in eastern cities relates to the grain in general.

Mr. EMARD (*Interpretation*): You will understand that as a representative of the province of Quebec, I am interested in the question of prices paid on grain in the west and the cost of grain in the province of Quebec. When we questioned certain representatives who appeared before this committee, we were told, among other things, that the most important reason there is such a difference in price is speculation. Personally—and I think most of my colleagues share my opinion—we would not want the government to establish a price fixing policy, but we think that we should try to restrain speculation.

This may be an embarrassing question for the people sitting here and a difficult one to answer. What do you think of a government agency which would be sort of a duplicate of the Canadian wheat board which would act directly with your organization.

The VICE-CHAIRMAN (*Interpretation*): I do not think your question actually has anything to do with part I.

Mr. EMARD: I told you that before.

The VICE-CHAIRMAN: Thank you very much.

Mr. JORGENSEN: I do not see why the question cannot be answered.

The VICE-CHAIRMAN: I will ask Mr. Kroft whether he would like to answer it anyway.

Mr. KROFT: I would like to say it is our opinion that in the present method of forwarding grains from western Canada to eastern Canada, which is our sole function, none of our companies would consider speaking for any of the merchants in the east, because we do not know all the conditions; but we find that in the forwarding of grain from western Canada to position in eastern Canada where it is available to wholesalers and merchants in eastern Canada, the present method is the least costly; it has been established over a number of years, and we are satisfied the cost involved in any other system would not compare with the way it is being handled now.

Mr. EMARD (*Interpretation*): Are you aware of a situation which exists in the province of Quebec where there is suffering owing to the price of feed grains such as barley and oats? Can you do anything to prevent too much speculation after the grain has left your organization.

The VICE-CHAIRMAN: With respect, Mr. Emard, I would like to suggest that you reserve your questions in this regard until the proper time.

Mr. VINCENT: May I put a question.

(*Interpretation*): I would not like to leave the impression that the problem in eastern Canada is a price problem; that is, that it is the price which the western farmer receives. Nor would I like you to have the impression that we think this is done by the Canadian wheat board or the Winnipeg Grain Exchange. At the bottom of page 8 of the brief you say that the wholesale selling price in Montreal for No. 1 feed barley is 85 cents a bushel which means \$2.37 per hundred weight.

The VICE-CHAIRMAN (*Interpretation*): Would you kindly confine your remarks to section 1. When we reach page 8 you will have an opportunity to pursue this.

Mr. NASSERDEN: I think you will find that many of these sections run into each other. It might save time if these questions were allowed rather than following it according to the brief.

An hon. MEMBER: I agree.

Mr. HORNER (*Acadia*): I do not.

The VICE-CHAIRMAN: It was a suggestion of mine, to which I believe the committee agreed, that it would be better to go through this by sections. I will leave enough latitude to allow a few questions one way or the other. I will now call on Mr. Rapp who indicated a few minutes ago that he would like to ask a few questions in respect of section I.

Mr. RAPP: Mr. Chairman, I would like to have an explanation from the witnesses regarding the Canadian wheat board selling price. Suppose the Canadian wheat board has 100,000 bushels of barley to sell at, say, 80 cents a bushel; once it goes into the grain exchange, or to whoever takes it over, the Canadian wheat board has nothing further to do with it so far as the price that will be asked by the grain exchange or anyone else is concerned. Is that right?

Mr. KROFT: The Canadian wheat board have full control over when they wish to sell this barley. The Canadian wheat board may decide, if 100,000 bushels came into Saskatchewan today, that this is the day to sell it, if the futures market suited their idea of price. They may sell it through the futures market by selling futures. If not, they may ship this barley into Fort William to be unloaded and they may carry it for a reasonable length of time until they feel it is the proper time to sell that barley. This would depend upon the information they have with respect to the possible trend in prices.

Mr. RAPP: In other words, in respect of the 80 cents at which the grain has been accepted, they have no more authority to ask for more or sell it for less?

Mr. KROFT: That is right; but it is not the grain exchange. The grain exchange as such does not buy or sell. There is the futures market in the grain exchange which is the public market which is traded in every day.

Mr. RAPP: The Canadian wheat board sells to the east. Why could they not sell to the eastern feeders or the eastern feed producers?

Mr. KROFT: The wheat board actually has nothing to do with it after it is sold. Once they sell that barley to one of the members of the grain exchange, then they have nothing further to do with that barley.

Mr. RAPP: They have nothing further to do with the price?

Mr. KROFT: That is right.

Mr. KORCHINSKI: I wonder whether you could give us any indication with regard to the percentage of coarse grain, speaking of barley primarily, which is sold on the futures market?

Mr. KROFT: I think the wheat board has this information in a public record. I do not have this information.

Mr. KORCHINSKI: I am asking this question because I think mention was made of the fact that the futures buying and selling to a large extent determines the price of coarse grain. I am wondering what percentage of coarse grain is sold in the futures market. If it is 10 per cent, then surely the 10 per cent should not be allowed to determine the price of coarse grains, whether it is too high or low.

Mr. KROFT: I am afraid I cannot give you a percentage. This is information the Canadian wheat board would have. They will sell as large a percentage as they can, if they think the price is right.

Mr. VINCENT: I believe Mr. Paterson is with the Richardson company and Mr. Kroft with the McCabe Grain Company.

Mr. KROFT: Yes.

Mr. KORCHINSKI: Can you give us the figures in respect of oats and barley which you bought from the wheat board in 1962-63.

Mr. KROFT: I do not have those figures available.

Mr. KORCHINSKI: I have another question which is related to the one I asked about the difference between prices and bushels. The wheat board's spot prices for oats and barley, basis lakehead, are always higher than the export spot prices. The range is about two cents to seven cents a bushel higher. How can this be?

Mr. PATERSON: You are referring to the daily closing price. The difference to the price on the grain exchange is a fraction of a cent a bushel because the grain exchange closing price is the bid price and the Canadian wheat board price is the asking price. Usually the difference is a fraction of a cent a bushel.

Mr. KORCHINSKI: There is not a difference of two cents to seven cents a bushel?

Mr. PATERSON: Not between the closing price bid at the exchange and the asking price of the Canadian wheat board.

Mr. PIGEON: Mr. Chairman, I addressed you a few minutes ago on the question whether it was possible to stabilize the price of feed grain. I am referring now to what is said in your brief on page four. In the first paragraph it is said:

In the wider sense, serious price instability may result in inefficiencies and dislocations in the trade and serious domestic and external problems for governments substantially dependent on such trade.

What do you mean by "serious price instability"?

Mr. GREENE: I think, Mr. Chairman, we submit here that wide fluctuations during a short period of time are not good.

Mr. PIGEON: You mean that fluctuations hurt the farmers?

Mr. GREENE: I submit that, particularly for each side of the fence, the producer or the consumer, extreme fluctuations are not good because it is certainly difficult for the consumer, and equally difficult for the producer.

Mr. PIGEON: As you know, British Columbia farmers and eastern farmers have many complaints. The eastern farmers' complaints are not against the western farmers, but I think your brief looks like a separatist brief.



Mr. KROFT: It would be the last thing in the world that we in Winnipeg would want to suggest, that we try to separate any parts of Canada. If we left that interpretation, then it is our fault because it was not our intention. Certainly I for one would like to apologize to you, sir, if we left that impression—that was not our intention. What we are trying to emphasize is that we represent one phase of the industry and we can only speak, with any amount of confidence, for that one phase of the industry. There are other phases on which we did not wish to encroach.

Mr. PIGEON: In your brief you say it would be bad if the eastern farmers reproached the western farmers. The eastern farmers make complaints on the price, not against the western farmers, but against the body in between the western farmers and the eastern farmers. I think it is very important to have your suggestions on this. I know you share the same views we have. You want to work for the public interest. If a policy hurts your body, I think you would share our views.

That is the main reason why I ask whether it is possible for the government to study in the next session the possibility of stabilization of the price of feed grains. The purpose of this would not be to cut the revenue of the western farmers but to permit the eastern farmers a higher income. If you saw the statistical report, you would see that the income of the eastern farmer is very low. I think the situation tends to disrupt national unity. We are trying to give a chance to the eastern and to the British Columbia farmers to increase their income. When Canada exports wheat, does your body have anything to with this export?

Mr. KROFT: Yes, sir.

Mr. PIGEON: Barley and oats also?

Mr. PATERSON: Yes.

Mr. HORNER (*Acadia*): Mr. Chairman, I do not mean to interject here, but does this question of an eastern wheat board not deal pretty well explicitly with page three as outlined by the grain exchange?

The CHAIRMAN: I agree with you, Mr. Pigeon is going ahead of this section.

Mr. JORGENSEN: Mr. Pigeon is asking the witness to be honest and then criticizes him for being that way.

Mr. HORNER (*Acadia*): I would like to go back to this question of brokers. What percentage of the trade makes use of the brokers rather than dealing directly with grain commissioner merchants?

Mr. GREENE: You mean the percentage of buyers? I am not sure what you mean by the grain commissioner merchants.

Mr. HORNER (*Acadia*): Let me take you to page 49 of this booklet on marketing western Canada's grain. You say there:

A grain commission merchant acts primarily on behalf of non-members or non-resident members of the exchange; he handles both documents and cash on his client's behalf.

And then it goes on to say:

While the commission merchant is responsible to his client for the efficient conduct of business on his behalf, he is also regarded by the exchange as a principal in any contracts of sale or purchase he may make in the future markets.

But it also says:

In contrast brokers act in transactions between resident members, but do not handle either grain documents or cash.

I am trying to clarify the difference between the handling of grain through the grain commission merchant and the handling of grain with the aid of a broker.

Mr. PATERSON: To describe the commission merchant I could say that in fact this is a line of business that any one of the three or four firms also do. We might get an order from an oil seed crusher in Europe to make a transaction in flax seed. He would take delivery of the flax seed against a futures contract and would be representing him in that capacity.

Mr. HORNER (*Acadia*): I was thinking of the feed grains when I was talking about the percentage of grain.

Mr. GREENE: In this particular paragraph the use of the name grain commission merchant pertains to futures. This paragraph has to do with the futures markets. In other words, our commission firms who handle futures orders for non-members or non-residents could be handling orders for Canadian residents, North American or European residents. The brokers to whom you refer are actually primarily engaged in providing a service between members of the exchange.

Mr. HORNER (*Acadia*): Are you suggesting that the brokers actually provide or facilitate, either wholly or mainly, the futures market?

Mr. GREENE: No, they are one part of it.

Mr. HORNER (*Acadia*): Let me put my question another way. Can a purchaser of a volume of grain deal directly in his hedging operations on the futures market? Suppose he is a skilled man, can he deal on the futures market to protect himself on a large purchase of grain, can he deal directly with the commission merchant? What percentage of the grain is dealt on the futures? I presume that on the futures pretty nearly every sale is covered, therefore this would bring a fair relationship. What percentage of the futures trading is handled by the broker, and is the other part handled by the commission merchant?

Mr. PATERSON: That would be pretty difficult to answer. For instance, the Canadian wheat board hedge oats. As shippers we buy from the wheat board and we hedge those oats. We could sell to manufacturers in Montreal, they would buy from us, and then we would hedge.

Mr. HORNER (*Acadia*): What part does a broker play? Many of us here are looking for a scapegoat, or any other term you want to use. I, as a western farmer, think that maybe the broker, if he is handling too much of these futures, may be a parasite on my back. Let us say I would be getting half a cent per bushel, and he as a broker could be buying it half a cent cheaper.

The CHAIRMAN: Futures will come under section three.

Mr. HORNER (*Acadia*): I am dealing with brokers on page three. At the top of page three the vehicles that are in the grain handling stream are suggested. I would like to know explicitly where the broker fits in that stream.

The VICE-CHAIRMAN: Gentlemen, may I have some order. It is rather difficult to hear the witnesses when all the members talk.

Mr. PATERSON: I would like to suggest that the broker plays a very useful part; he sells his services for a very nominal fee, and this assists the different merchants in trading among themselves such as in purchasing, as they do regularly, from the wheat board.

Mr. HORNER (*Acadia*): While I have no animosity towards brokers, I am trying to elicit information so as to clarify it in my mind and for the committee. You suggest a nominal fee. Can you give the committee some idea on a per bushel basis of an average fee charged in an average day to day sale?

Mr. PATERSON: There is a set fee. The fee is set on what we call cash grain brokerage. The fee is one-sixteenth of a cent per bushel.

Mr. HORNER (*Acadia*): On cash?

Mr. GREENE: Between the buyer and the seller. It is one-sixteenth of a cent per bushel.

Mr. PATERSON: If we utilize a broker in the pit, then the fees vary from grain to grain. They run from about 25 cents per a thousand bushels to 35 cents per a thousand bushels. Twenty-five cents per thousand bushels is a tenth of a quarter of a cent per bushel.

Mr. KORCHINSKI: On page eight you say it is one and a quarter cents.

Mr. PATERSON: This is not brokerage. We are referring to a fixed charge by the brokers in the Winnipeg Grain Exchange.

Mr. DANFORTH: Can I ask a supplementary question to the one just asked? In line with the questioning that has been put concerning the brokerage fee, in the purchase of a quantity of grain and in the hedging by the same company is there a double brokerage fee? Is there a brokerage fee for each transaction?

Mr. PATERSON: No, and very often there is no brokerage fee. Brokers are utilized where different companies can utilize them to advantage so as not to incur an additional cost by employing possibly more personnel themselves to do some of these jobs.

Mr. DANFORTH: I understand the mechanics. What I am asking is this, if I, as a shipper utilizing a broker on a grain exchange, purchased a quantity of grain, I pay a fee for your services. Am I correct? If you purchase for me a quantity of grain you in effect charge me a specific fee for this service. To hedge on the futures market I employ you to buy futures for me, do you charge me another brokerage fee to hedge on the same quantity of grain?

Mr. KROFT: Brokerage is paid out of the fee that you are charged by your agent, that is the person that you have asked to carry out your transaction. He will pay that brokerage which comes out of the fee he may charge you.

Mr. GREENE: Maybe we have not got the example quite clear.

Mr. DANFORTH: I want to buy a specific quantity of grain. I am in Montreal and I want to utilize the services of a broker. I can wire or telephone and ask for a specific quantity of grain to be purchased for me.

Mr. PATERSON: Futures or cash grain?

Mr. DANFORTH: Cash grain. If I want to hedge, which is another transaction, I ask that this purchase be covered for me by the operation of hedging. Are there two fees involved?

Mr. PATERSON: No, sir, I would say not because in effect if you ask our company to get that grain for you we would have it hedged and we would transfer that hedge to you, and there would not be another brokerage involved.

Mr. NASSERDEN: After I have received that grain, there is nothing to stop me, six days later, from coming back and placing it back on the market?

Mr. PATERSON: That is right.

Mr. NASSERDEN: That is where speculation takes place, is it not?

Mr. PATERSON: It depends on what you mean.

Mr. NASSERDEN: There would be only one purpose in my doing it, and that would be to make some money.

Mr. PATERSON: That is right.

Mr. NASSERDEN: The broker is not the one who is speculating; it is the person that uses his services.

Mr. PATERSON: That is correct.



The VICE-CHAIRMAN: May I remind the committee that it is now twenty-five minutes to twelve o'clock. I still have on my list Mr. Gauthier, Mr. Bigg, Mr. Nasserden, Mr. Watson and Mr. Rapp, who expressed that they would like to ask questions.

This afternoon the estimates of the Department of Agriculture will be discussed in the house, and I presume a lot of you would be interested in being in the house to listen to them. We are only on section one of this report. Do you want to stop at noon and to start again after orders of the day, or could we try to restrain our questions in such a way as to get the necessary information on each section so that we may be able to finish early enough this afternoon, in time to listen to the estimates of the Department of Agriculture?

Mr. VINCENT: Let us move on to section two.

The VICE-CHAIRMAN: However, I have the following speakers on my list, who presumably wish to speak on section one of the brief.

Mr. RAPP: Mine is a very short question on section one.

The VICE-CHAIRMAN: I only brought this to your attention.

Mr. KORCHINSKI: A lot of the members would like to hear the minister when he speaks on the estimates. I think we should all be there, if possible.

The VICE-CHAIRMAN: I suggested that.

Mr. NASSERDEN: I do not think we should sit as a committee when the agricultural estimates are before the house.

The VICE-CHAIRMAN: That is what I was suggesting. I was bringing this point to you because it is now quite late.

Mr. HORNER (*Acadia*): I disagree entirely. I do not care whether agricultural estimates are before the house or not. We have learned gentlemen before us. They are here today and they can tell us more about the movement of grain than any other group outside the wheat board and the feed mill operators here and in Quebec. This would help us to solve the problems that exist. I think we should continue with them and hear them out this afternoon.

The VICE-CHAIRMAN: I think we could restrain our questions slightly.

Mr. PIGEON: Would we meet after the question period?

Mr. BIGG: Could we sit later, and change the hours?

The VICE-CHAIRMAN: We will carry on for the time being.

Mr. VINCENT: We could sit until 1:30 and decide at that time.

The VICE-CHAIRMAN: We could sit until one o'clock. I am at the disposal of the committee.

Mr. JORGENSEN: We could sit until one o'clock and then decide what we are going to do.

The VICE-CHAIRMAN: We will sit until one o'clock and then decide. Is that all right? It is agreed.

Mr. GAUTHIER (*Interpretation*): Mr. Chairman, the question I want to put forward is one which interests us all right now. I am sure that the producers of the west or the producers of the east are not as much interested as the intermediaries, and among those we are trying to find which intermediary has an effect on the price. We want to know where there is finance and where there is work. You say on page three of your report under section one concerning grain marketing that the grain exchange in determining its role is furnishing a market for the free play of supply and demand and the determination of price. You then go on to speak of the wheat board. The board has sent witnesses before us. We have spent several hours with the witnesses of the grain exchange. I do not see why you use three pages of your report to quote what we heard from the witnesses of the Canadian wheat board. We want to know your own opinions.

We would like to remind you that in your report concerning transport it is said that in the movement of grain the government is mostly an instrument of control. I wonder, when we talk of transport, if the grain exchange is directly interested. It might be, but if you say yourself that the government is the main factor of this control, I would like to know whether that is the case.

Further in your brief you give figures on transport. The figures are on the raising of the price of grain, and you give a figure of 7 per cent per month. Maybe I misunderstood you because 7 per cent is a monstrous percentage for us.

What I would like to know right now is how much the grain exchange has to pay for the marketing of grain, and secondly what are the shipping points which are not being used by the government. We are under the impression that transport charges are paid mostly by the government. This would be my first question concerning transport fees.

Mr. PATERSON: Mr. Chairman, if I am not clear in my answers I will have to apologize because I was not able to follow the question. I will try to answer the portion of the question I understood.

In so far as transport charges being paid by the government are concerned, that is not correct. The Canadian wheat board, which is an agency for the sale of grain for the producer, sell their grain in stock at Fort William and Port Arthur. All the transport charges from there to the final destination are paid by the firms who move the grain, and the only compensation that is received against that is the freight subsidy which is paid by the government. Now I do not know whether in every case those two balance each other off completely. Mr. Phillips may be able to answer that question, but I cannot give you the exact answer.

In so far as interest charges are concerned, frankly I do not know just where this 7 per cent originated. We wanted to use the interest that we are today paying to our bankers and at which rate we shall calculate our selling price.

I am sorry if I have not answered everything you asked, but I did not quite understand the rest of your question. Can I get it repeated?

Mr. Lagace is a member of the commission who speaks very good French; perhaps he could answer the question.

Mr. LAGACE: From the technical point of view it is better to put these questions to the other gentlemen, and I might interpret them. The answer to your question concerning the 7 per cent appears on page nine.

Mr. GAUTHIER (*Interpretation*): I understood it was 7 per cent.

Now, with regard to shipping, we were told that shipping from the prairies to the great lakes was absorbed by the western producer. I think it is the commission who pays the transportation and who reimburses the western producer.

Mr. LAGACE: To the great lakes. The western farmer pays the transportation between the farm and the lakehead.

Mr. GAUTHIER (*Interpretation*): Is it the commission who pays transportation from the great lakes to Montreal?

Mr. PATERSON: The government does not pay it. That is paid by the company who moves the grain to Montreal or to Quebec.

The VICE-CHAIRMAN (*Interpretation*): Mr. Gauthier, it is the government who subsidizes the transport on wheat.

Mr. GAUTHIER (*Interpretation*): Does the government grant a subsidy?

The VICE-CHAIRMAN: I will ask Mr. Phillips if he could clarify the question.

Mr. PHILLIPS (*Interpretation*): On page nine you will see that it is nine to twelve and a half cents per bushel of wheat, with the footnote that it varies at certain levels from nine to 12 or 13 cents. Down below you will see that the freight assistance is 15 cents, that means the government freight assistance is  $5\frac{1}{2}$  cents in excess of the lake freight. This applies from the lakehead to Montreal. If you look at oats, you will see it is eight cents, the freight assistance is  $8\frac{1}{2}$  cents. Under barley you will see the figure of nine cents and freight assistance is 12 cents. In other words, when the lake freight rate is at those figures, the government subsidy in each case is in excess of transport cost.

Mr. GAUTHIER (*Interpretation*): In other words, the western farmer pays freight from the destination in the prairies to the lakehead, and the government pays it from there on?

Mr. BIGG: My question is general. As I understand it, the Winnipeg Grain Exchange is only a form of exchange of grain. They have nothing to do with the policy of selling abroad or at home. Is that correct?

Mr. PATERSON: That is right.

Mr. BIGG: Most of our questions here are put with the purpose of getting you to help us make up our minds on policy. We do not hold you responsible for policy in any way but we are asking you to try to give us the benefit of your wisdom. The initial producer in both eastern and western Canada gets a maximum price for his grain, and the feeder—who is diametrically opposed to this naturally—wants to get it as cheap as he can get it. The only way you can help us is to show us how we can efficiently cut down the cost of administration in between.

Mr. VINCENT: This is not the question.

Mr. BIGG: It might well be, because the western farmer will never want to sell his grain for anything less than what he can get for it, while the eastern feeder wants to get his grain as cheaply as he can to feed his cattle. These two cannot come together except by a compromise as to prices. However, there may be some assistance from the government to help the eastern farmer in feeding or the western farmer in getting a higher price for his grain. My question is whether there is anything in your brief whereby we can shorten this process in policy. If it is not your function to do that, all right, but from my point of view that is the only question I wish to ask. I am satisfied you have an efficient forum for the marketing of grain, but I am worried that perhaps there are bottlenecks or some excess profit somewhere in between and perhaps we could do something about it by either government policy to subsidize or by cutting down what we think is unfair.

Mr. PATERSON: We felt that our role as shipper and exporter from Winnipeg was to get the grain to the eastern ports and eastern centres. That is where our function as Winnipeg traders starts. We ship it to the lake ports around Ontario, to Montreal, Quebec, Halifax, and the eastern trade take over from there. They are the ones who are in intimate touch with the individual people in the country.

Mr. BIGG: The question I want to ask is in opposition to your own business, and perhaps it is unfair. Would it help if the eastern farmers got together in a co-operative buying group so that they could in fact hand over to their own feeders some part of the profit in the business? That is really the crux of the matter.

Mr. KROFT: It is our opinion, as we suggested in our brief, that we do not try to have a status quo. As good citizens we are interested in the welfare of Canada. We honestly believe that the present method of moving grains from western Canada to eastern ports is efficient and as cheaply done as we can possibly do it.



I would like to add one thing; there has been one new regulation put in by the government this year which, I believe, has not yet been tried out fully, that is the institution of storage payments which will be made to the wholesalers in eastern Canada who move grain forward through the winter months, plus the fact that the wheat board now have worked out what we referred to as a deferred pricing policy which permits us in effect to move some grain forward without actually pricing it if the prices in the fall of the year prior to the close of navigation are higher than the future ones. We believe those two things are good and they should assist, but unfortunately this year, with many other things that have developed, they have not really been proven.

Mr. BIGG: There is just one other question I wish to ask: Does your grain exchange have anything to do with the promotion of foreign sales of grain?

Mr. KROFT: Yes, sir.

Mr. BIGG: Could you say what?

Mr. KROFT: Of course the grain exchange is only as strong as its membership. It has 400-odd members. The grain exchange, outside of having statistical information and giving information to members, does not try to sell grain. Members within the exchange are trading all over the world and have offices and connections in every country of the world so as to try to sell Canadian grain. That is our function.

Mr. BIGG: Do these individuals have any part in what appeared to us to be government deals, such as the sale to Russia? Have they a contract with the Russians; do they offer grain, or is it out of their field?

Mr. KROFT: No, sir, the members of the grain trade do participate in the movement of all these government to government transactions.

Mr. BIGG: I know, but are they able to initiate it? I know they sell their grain once the big deal is made.

Mr. KROFT: Yes. I would say that some of the present contracts that are going on a continued basis were initiated by members of the grain exchange.

Mr. NASSERDEN: I wonder if you could tell us whether there has been much speculation in coarse grains on the exchange?

Mr. GREENE: I will try to answer that. Again, sir, it is hard to assess what is speculation and what is not. First of all, I think it was you yourself who used the example of 100,000 bushels being bought one day and sold six days later. You called this a speculation because it was not turned to a consumptive channel; that is profit or loss could accrue to the owner of that grain. There is a role there for the speculator. I cannot compete with the Turgeon commission and point out that role, but in the example you have used, if I may clarify that role, the day that the firm which we referred to as the speculator, bought, perhaps there was no one else to buy, and yet the sellers wanted to sell. So someone filled the gap and bought the 100,000 bushels. Conversely, six days later perhaps, using the same 100,000 bushels, the sellers were not in the market but a consumer was. Here again the so-called speculator filled that gap, or took up the slack.

I deviated from your question that it is very difficult to attach a percentage to the volume; that is speculation as compared to transactions that are followed right through to the consumptive channels on that same purchase.

Mr. NASSERDEN: Transactions of that nature are pretty well confined to members of the Winnipeg Grain Exchange, are they?

Mr. GREENE: This can be done by anyone who wants to go through the commission merchant whom we referred to. Anyone of course can become a member of the grain exchange upon making proper application.

Mr. NASSERDEN: Someone who is not a member of the Winnipeg Grain Exchange can act through an agent and can influence the market by his sale or purchase on that market.

Mr. GREENE: I would suggest that in varying degrees every trade has some influence on the market. It is hard to assess in a general way how much impact any one trade would have on the market.

Mr. NASSERDEN: In your brief here, on page four, you talk about the stability of the market and the stability that the exchange has been able to give the market. It would seem to me that it is the exact reverse that is taking place because a group, if they so desire, knowing a certain set of conditions, could take advantage of the knowledge, and while this information may be available to a great number of people it may not be as widely known to protect them from a particular situation. Those in the know are in a position where they can influence that market either one way or the other.

Mr. PATERSON: One of the main factors that assists market trends is weather in different places. That is a class of information that could hardly be more widely disseminated. I can say, from my experience, that there is no place in the world that has such excellent statistics on supply. It is very widely publicized everywhere.

Mr. KROFT: I would suggest that speculation stabilizes more than it does anything else, because the very fact of speculation does not suggest that the views are similar; it suggests there are different views, which we believe have a stabilizing effect on the market. I might further suggest that if a hog raiser in Quebec decided to raise X number of hogs and for that purpose purchased 20,000 bushels of No. 1 feed barley, and if half way through his operation, for some reason or other, he found he was only going to use 10,000 bushels of barley, I would suggest he might have speculated to some extent. We think it is wonderful that he has the opportunity of re-selling those requirements which he found he did not need. He was just as much a speculator—if you are going to use that term—as the example you have given.

Mr. NASSERDEN: I am not too clear on this. From this paragraph about hedging I would understand that the person who buys for the futures market is not always covered by what you would call the cash grain in position, or is he?

Mr. KROFT: Not if the transaction is followed through with cash grain.

Mr. NASSERDEN: That is where speculating can come in.

Mr. KROFT: That is right.

Mr. GREENE: If I understood the question correctly, if someone in eastern Canada on this date of December 12, wants to buy grain for June of 1964—which is possible and as a matter of fact is happening—to actually buy the grain will not be possible for that exact position for which your buyer wants it. To minimize your position you buy futures, and what you are then primarily concerned about is the relationship of the cash article, as we previously defined it, to the futures, which is a restricted area as the market itself may go up or down considerably between now and that time. But for the shipper or seller in this case this is a hedge. What the buyer has done, if he sold grain to someone else, whatever the end transaction has been, we cannot even know.

Mr. NASSERDEN: But that whole transaction is to protect the person who bought?

Mr. GREENE: In this particular example I was using the futures market as a facility to hedge.

Mr. PATERSON: Sales can also be done.

Mr. GREENE: The buyer can feel that freight rates are going to be higher next spring, and any one of a number of circumstances would suggest that he would at least like to buy, in relationship of the cash to the futures. He will buy that and he will have a hedge out, and so will the seller. They will both have a hedge out.

Mr. NASSERDEN: Don't they have to?

Mr. GREENE: This is a matter of choice. There is nothing compulsory there.

Mr. NASSERDEN: That is where the speculation comes in.

Mr. HORNER (*Acadia*): Most of them hedge.

Mr. GREENE: Yes. I would say that most of us merchants hedge.

Mr. NASSERDEN: But there are other people besides those merchandising grain in the futures market. If I had \$10,000 to spare I might be in it too, and I might never want that grain. I would not have to go through all the processes that you have outlined; I could take it just as a straight speculation.

Mr. KROFT: That is possible.

Mr. PATERSON: You could also sell it without the intention of delivering it.

Mr. PETERS: Would you explain what the word "hedge" means in terms of grain dealing?

Mr. KROFT: When one buys No. 1 feed oats and wants to have the actual oats in his possession but does not have any immediate use for them, and wants to protect himself against the market fluctuations, he would then hedge those No. 1 feed oats by selling a futures contract. Regardless of what happens to the price itself, one will offset the other.

Mr. PATERSON: It is a form of insurance.

Mr. RAPP: But does he not only pay a certain percentage of the price of the grain, or does he have to pay for the whole?

Mr. KROFT: If he is hedging grain that he owns, then he already has bought his grain.

Mr. JORGENSEN: It is like betting on both teams in the Grey cup game.

Mr. WATSON (*Assiniboia*): Mr. Chairman, my question has possibly been partly asked and partly answered, so I am going to ask two or three questions that are related.

The VICE-CHAIRMAN: Are they related to section one?

Mr. WATSON (*Assiniboia*): I would say so. Could you tell us—perhaps in relation to the 200,000 bushels of oats or barley grown in the west and delivered to the wheat board—how many millions or billions of bushels are traded on the grain exchange in a given year?

Mr. KROFT: I do not think those figures are available.

Mr. WATSON (*Assiniboia*): Would this be by speculation?

Mr. KROFT: We have no records of that.

Mr. PATERSON: But there could be, as we have outlined before, ownership changes on these oats where different people hedge it. In a sense you could have two or three hedges against the same original oats before they go into ultimate consumption.

Mr. WATSON (*Assiniboia*): By the same token, then, an individual could buy 10,000 bushels and sell 10,000 bushels every day of the year if he felt there was going to be an up or a down trend?

Mr. KROFT: That is possible.

Mr. WATSON (*Assiniboia*): That is straight speculation.



My second question is: Do you consider that the individual who buys longs and shorts is in the same category as the Canadian wheat board?

Mr. KROFT: I do not quite follow your question.

Mr. WATSON (*Assiniboia*): Another way of putting it then is as follows. All the transactions of the Canadian wheat board with the Winnipeg Grain Exchange are on a straight hedge basis, or do they speculate?

Mr. KROFT: The wheat board do not necessarily hedge everything. We do not have available to us the private records of the wheat board, and for that reason we do not know what percentage of their actual receipt are hedged, and which ones are sold without a hedge. We would not have that information.

Mr. WATSON (*Assiniboia*): Is it true that the Canadian wheat board could lose money dealing with the Winnipeg Grain Exchange, the same as an individual?

Mr. KROFT: I could not answer that question. I do not know enough about the method of the wheat board's operation.

Mr. PATERSON: To the extent that they hedge, that is sold for future delivery, and if the market went up, they would be selling a hedge against the physical grain which they had taken from the farmers. Therefore, when they deliver the grain, they get a higher price for the cash grain; one offsets the other.

Mr. WATSON (*Assiniboia*): They cannot refuse on the hedge?

Mr. PATERSON: That is the purpose of a hedge, to establish your price.

Mr. WATSON (*Assiniboia*): This is what I understood.

My other question is this; I would presume that if it is not all hedged, they could make or lose the same as an individual. Is that right?

Mr. KROFT: We can presume that.

Mr. HARKNESS: If the grain in the hands of the wheat board is not hedged, he himself is assuming the risk of whether it goes down or up. By hedging it, he gets somebody else to assume that risk. This is essentially the situation.

Mr. RAPP: Mr. Chairman, is it the rule of the Winnipeg Grain Exchange to list the different varieties of grain on the futures market, or is it somebody else's responsibility?

Mr. KROFT: The Winnipeg Grain Exchange, in establishing futures contracts from time to time—and if I may make myself clear, at the present time we are trading in December, May and July—do so through a survey that we make, we establish the different grains that are delivered on that contract.

Mr. RAPP: This is not my point. What I wanted to know is who is responsible for putting on the list of futures the different varieties of grain such as wheat, oats, barley and so forth. For instance, last fall rape seed was listed for the first time; was it the responsibility of the grain exchange, or was it the responsibility of some other agency to have it listed on future markets?

Mr. KROFT: That is the responsibility of all the members who instruct the Winnipeg Grain Exchange that they want this done. In the particular case of the rape seed, there was a very strong request made by the co-operatives in western Canada, as well as by private and public trade, to have futures market established in rape seed. It was their opinion that they could better merchandise the rape seed they were growing.

Mr. HORNER (*Acadia*): On a point of order, we can successfully move on to Item 2, the role of the Winnipeg Grain Exchange in the marketing of feed grain. I do not wish to jeopardize questions; I would suggest that you proceed with your list of questioners and just say "We are now on Item 2".

The VICE-CHAIRMAN: I have on my list Mr. Peters. I believe, Mr. Peters, you could refer back to Item 1 if you had one or two questions on it. We will now proceed to Item 2.

*(See earlier part of evidence for relevant portions of prepared statements.)*

Mr. PETERS: The operators of the grain exchange over a period of time have been observing some of the operations of the buyers. It seems to me that, some of them that have bought grain for flour over a period of years and have established combines by investigation, have indicated that there has been a combination of buyers arriving at a price that resulted in charges being laid in the flour production. In watching this trading have these particular operators of the grain exchange found that a combine in a particular field and in a particular type of grain for that particular purpose is taking place?

Mr. KROFT: I would say no, sir.

Mr. PETERS: Is there any policing done by the grain exchange to see that a combine does not take place? For instance, the agents in the Toronto stock market may be interested in pushing a particular stock that has no merit at all. They will get together and buy and sell and trade in this stock until it really starts jumping, and then the other agents get involved and the buyers get involved. There is protection on the Toronto stock market against stock manipulation. Is there that type of policing on the grain exchange to prevent combining which may not be in the interest of either the producer, the buyer or of the nation? I am sure the Winnipeg Grain Exchange is aware of this because of its experience. Is there any policing done by the exchange itself over the agents and the kinds of operations that they engage in?

Mr. HEFFELFINGER: I have observed that there is a very high degree of control over the activities of members. We have quite a thick book of bylaws which have been evolved over the years in an effort to regulate trading. I do not think this is quite what you asked, but you may recall that two weeks ago, after the death of President Kennedy, we closed our exchange. Certainly part of this was because of our respect for the man, but part of it was also done because all the other exchanges were closing and we thought it would not be in the interest of the trade to continue to operate on that day. So, as the board of management of the grain exchange we are certainly charged with the responsibility of always watching what is going on in the exchange, and I am sure there is something in our bylaws which would indicate that it would not be in the best interest of the exchange or of its members to allow irregular practices to take place, such as the ones you are referring to.

Mr. PETERS: In this policing have you had occasion to ask for the resignation of members because of irregular practices? I am thinking of, for instance, the Maple Leaf, and some others who have been convicted a number of times over the years for combining in flour. I do not know what their percentage of buying is or whether they have an effect on the exchange.

Mr. PATERSON: The main commodity in the milling industry is wheat, and that is not traded on the futures market.

Mr. PETERS: But to be speculative you would have to be in futures. Is that right?

Mr. PATERSON: In oats, barley, flax, rye or rape seed. Those are the five grains in which there is futures trading in Winnipeg.

Mr. PETERS: I have one last question. Is it the opinion of the board that they do enough policing to see that what you consider to be hedging insurance in this field and speculation are kept to the minimum where it does work in the interest of the producer and also of the general public? Do you feel you keep that close a control over the agents of your board.

Mr. HEFFELFINGER: Yes, I believe we do through our various regulations which have evolved. There are certain things that one does not do in trading. I believe there is a section in there on public outcry in the futures market, that futures must be governed through public outcry; it cannot be done in private transactions. Such things as this tend to have members regulating it themselves.

Mr. PETERS: If they did it privately, this would not bear a relationship to the market and therefore this type of combining could be arrived at.

Mr. HEFFELFINGER: This would be contrary to our regulations. We are quite successful in keeping everybody operating properly.

Mr. PETERS: I have one last question. Do you have any control or any problem with someone like Mr. Nasserden who buys and sells \$10,000 worth of futures and does not have the money to cover it?

Mr. RAPP: Too bad for him.

Mr. KROFT: That is not the responsibility of the exchange; that is the responsibility of each member whose financial position has to be presented to the management of the exchange regularly.

Mr. PETERS: You maintain that somebody could join the exchange with the backing of a certain amount of money and later not have this?

Mr. KROFT: We call on these financial statements regularly.

Mr. WATSON (*Assiniboia*): I have a supplementary question to that. The statement was made that the board could shut down in the middle of a session. You mentioned the specific day that President Kennedy was assassinated. By the same token, could the board shut down automatically in the middle of a trading session if they thought it to their advantage? Let us say that it closed on June 13, for instance; could it do that?

Mr. KROFT: To whose advantage?

Mr. WATSON (*Assiniboia*): It was mentioned here that it was done out of respect to President Kennedy and that another reason was the effect on the market.

Mr. HEFFELFINGER: I meant to indicate that in an emergency situation, it is within the power of the board of the Exchange to close the market. It could happen in mid-session.

I do not know that this has ever happened but it could happen I suppose in midseason if a very great emergency occurred.

Mr. WATSON (*Assiniboia*): They would have to make a decision then?

Mr. HEFFELFINGER: That is correct.

Mr. MATTE (*Interpretation*): Could an agent buy all the wheat for the east to guarantee a stable price over six months?

Mr. HEFFELFINGER: Perhaps you could rephrase that question for us? I do not think we quite understood you.

Mr. KROFT: As I understand your question, you are asking whether an agent could buy wheat for a six months period and stabilize the price during that period?

The VICE-CHAIRMAN: I believe he is referring to an agent who would buy wheat for all of eastern Canada. Is that what you were referring to? One agency would buy the wheat for all eastern Canada for six months in advance?

Mr. JORGENSEN: I think the question is, could anyone buy a sufficient quantity of grain for a six months period.

Mr. KROFT: You said wheat, did you not, sir? As far as wheat is concerned, of course, as there is no futures market, it would be completely on the basis of whether or not the wheat board would be prepared to offer it. Of course, it is only feed wheat you are referring to, I believe. The quantities of feed wheat



available from year to year are not determinable. Even the wheat board might find itself in a position where it could only offer feed wheat for a very short period ahead. Does that answer your question, sir?

The VICE-CHAIRMAN: We have now reached 12.25. We wanted to go till one o'clock. I have three names on my list of members who desire to ask questions in respect of item two. Perhaps we could move to section No. 3 at this stage, and revert back to section two.

Mr. VINCENT: I should like to ask a question in respect of the price of feed oats as referred to at the bottom of page eight of the brief "gross wholesale price (4) Montreal 80.85 cents per bushel." Are you able to tell me approximately what was the price in that regard for the last two years?

Mr. KROFT: I am afraid I do not have that figure.

Mr. GREENE: I am afraid we do not have a statistician with us.

Mr. KROFT: You are asking in respect of the last two years?

Mr. VINCENT: Yes.

The VICE-CHAIRMAN: Mr. Phillips, have you any of the figures in this regard?

Mr. PHILLIPS: The only figures available immediately for the committee would be the prices contained in the wheat board table and that has to do with price in store, Fort William for the years from 1961-62, 1962-63 and 1963-64.

Mr. VINCENT: Perhaps I could express my question in another way. Is it possible to have a fluctuation of 20 to 25 cents a bushel in the wholesale selling price at Montreal? You have the price here as at November 20, 1963. Is it possible to have a fluctuation of from 20 to 25 cents per bushel?

Mr. GREENE: Are you referring to a period over two years, sir?

Mr. VINCENT: I am referring to a period of a few months. Perhaps a period such as December to the last of April. On November 20, 1963, it is shown as \$1.11 per bushel and last April it was around \$1.32, or \$1.35 a bushel.

Mr. HORNER (*Acadia*): Would the difference not be accounted for as a result of it coming by water or rail from Fort William to Montreal?

Mr. PHILLIPS: It would be approximately 8.20 cents, making a difference of roughly 20 cents per bushel.

Mr. VINCENT: This would not make the difference because in 1963 we had a price at November 20 at Fort William of 75.50, and in April, 1963 at Fort William it was 57.3 cents per ton. My opinion is that there may be a difference in price of 20 to 25 cents a bushel in Montreal, or in Quebec, Prescott or Halifax. When there is a difference in the price of 20 to 25 cents a bushel at Montreal, Prescott or Halifax, is the farmer receiving more in western Canada when the price is higher in Montreal or Prescott?

Mr. KROFT: It is very difficult for us to answer that question because we just cannot tie your figures up. I would like to say again that our group here has the responsibility of moving grain from Fort William to Montreal, Quebec or Prescott. In our own case it is very seldom that we will have any grain left after the closing of navigation because we are responsible to supply a very large number of wholesalers, co-operatives and others in eastern Canada. I can give you the cost of moving that grain during any specific period. I cannot give you any direct information on what happens to it after that. I think you would have to refer that question to the wholesale trade.

Mr. VINCENT: We are not questioning the price farmers are receiving, the cost of moving that grain, but we are questioning the fact that there is a fluctuation in the price over a period of a few months. We always refer to 100 pound weight in eastern Canada, and very seldom refer to bushels. This is one

of the reasons for the mixup. In November, 1963 we were able to buy oats at \$2.37 per 100 pounds. That was the selling price in Montreal. In April the price was \$2.32½ per 100 pounds. If we were able to get oats and barley at these prices which may fluctuate only four or five cents per bushel during a period of six to eight months the eastern farmer would be satisfied. The problem is not in moving the grain to the markets in eastern Canada. I suggested a few days ago that we would like to see the establishment of an agency which could buy enough oats and barley to last for a period of time and store it in Montreal, Prescott, Quebec or Halifax for sale to the farmers or to the feed mill at this stabilized price. Last year we had to pay \$3 and a few cents per 100 pounds for oats. There is a great fluctuation in the price. That is why I asked whether there could be a fluctuation of 25 cents a bushel in the wholesale price in Montreal.

Mr. PATERSON: If at the end of the winter the supplies in Montreal have run out and the grain was moved down there by water, then you would be faced with a higher cost of moving it down by rail. I do not know what the situation was in Montreal last April. If the grain had to be moved to Montreal at the end of last winter by rail the price would be higher than if it had gone down in the autumn, but then they would have to pay the storage and interest charges during the winter.

Mr. VINCENT: Is an agent able to buy so many millions of bushels of oats and barley in November of one year and store it in Montreal so the price will be stabilized in November of that year?

Mr. KROFT: Yes, although in practice you could not wait until November to arrange for your winter supplies. I think in practice winter supplies in eastern Canada will start to move forward as early as early October.

Mr. VINCENT: Suppose we are able to buy, let us say, seven million bushels of oats and barley.

Mr. KROFT: Yes.

Mr. VINCENT: This price you have on page eight is the price we will have to pay in Montreal.

Mr. PATERSON: It depends entirely on when the people buy it because the wholesale trade in Montreal may have bought it in the summer months for shipment in October.

Mr. GREENE: If you could find a seller in the wheat board, for example, who would sell seven million bushels at one price, which they may or may not be prepared to do, and you had one, two or three shippers you could have your price fixed. Perhaps you had done that in November of 1961, for example; in the following year you would not have been lucky because you would have had to pay a very high price for oats. Perhaps you would want to buy seven million bushels on one day because it is being sold at a good price, but you will have to pay the freight to transport it down the lakes.

Mr. VINCENT: Yes, but it would be at the same rate.

Mr. PATERSON: No, that is the fluctuating rate. That does not mean you can get an unlimited amount of lake freight.

Mr. GREENE: If you refer to the wheat board's report you will see they show a fluctuation in the store at Fort William. During the course of a certain period of time you will see a fluctuation in barley of some 20 cents a bushel; that is the price in store at the lakehead.

Mr. VINCENT: If I bought seven million bushels of oats and barley at the price of November 20, 1963, this would be the price I would have to pay for it.

Mr. KROFT: That is based on this freight calculation. They might not be exactly correct.

Mr. PATERSON: That would be subject to your being able to get the freight to move it, but by that time the lake vessels may all be committed.

Mr. VINCENT: This would depend on transportation?

Mr. PATERSON: That is a big factor.

Mr. VINCENT: This is what we are asking the government. This is a serious problem, and if that is the answer involving transportation and storage, then I think we should be told.

Mr. GREENE: Perhaps we are being a little picayunish in our point when we referred to November 20, because that is a little late for this type of movement. I think what you are trying to get at is, can it fluctuate between any given date and the corresponding date the following year. What you are suggesting is, if you could find a seller from whom you could buy seven million bushels of grain at one price you would have a fixed price; is that right?

Mr. VINCENT: Yes, and then if you add the transportation to Montreal this is going to be the price in Montreal.

Mr. GREENE: What you would be doing, sir, whether you are acting as an agency or an individual buyer, or a group of buyers, would be getting a price for X quantity of grain, if you decided you wanted to buy that much you could fix your price. I suggest that the principle of supply and demand is involved, and you may or may not have desirable price fixed for your grain. I would suggest this is therefore quite a bit more speculative than anything which we have talked about before.

Mr. VINCENT: Yes, but if we were able to buy oats at \$2.30 per 100 pounds and store it at Montreal, it would mean that during a period of six to eight months the price would be a little bit higher than \$2.30 per 100 pounds because we have storage to pay, but we would then have a stabilized price and would not have to pay a price in the neighbourhood of \$3.25 per 100 pounds.

Mr. KROFT: You might be able to buy the same grain at that time for \$2.00.

Mr. VINCENT: The price may go down but we could be sure that we would not have to pay a higher price.

Mr. GREENE: This is possible, and we see a number of buyers doing this. They decide that a certain day is the time to buy oats and barley for shipment. We do not know what is behind their thinking but it is up to them and they have a perfect right to do so. It is done to a fair extent.

Mr. PATERSON: I think in any domestic business this practice is followed to a certain extent. Toward the late fall the ships are tied up well in advance. In regard to the firms we represent, they engage the lake freight and arrange to have the grain when the buyers want it.

Mr. VINCENT: And they know exactly what the price will be.

Mr. PATERSON: They get a definite price.

Mr. VINCENT: They know what the price will be in six or eight months.

Mr. PATERSON: Yes.

Mr. KROFT: I was in Montreal for a day before coming here and I spoke to a number of wholesalers or merchants. They advised me that between 80 and 85 per cent of their own country customers had arranged for their supplies well ahead of any increase in price and had done so for an extended period. This figure was not a calculated one but an estimate. Probably they would buy ten cars per month for a six-month period so that they knew exactly what their price would be. They did estimate that between 80 and 90 per cent of their customers had done this.

Mr. VINCENT: I am not suggesting this is the fault of the Canadian wheat board or the fault of the government, because they have their own grain right



now in store and if they raise the price during the winter by 20 cents or 30 cents or 45 cents per 100 pounds, this is because they want to make money.

Mr. KROFT: Many of the people to whom you have referred have already sold that grain to their country customers to the extent of approximately 80 per cent of their requirements. There is only a comparatively small percentage at the present time who have not covered their winter requirements. The people who may do what you have suggested would only be a very small percentage of the total actual consumers in the province of Quebec.

Mr. VINCENT: We could buy what we know we will need during the winter and then know exactly what the cost of the grain should be. The co-op will know exactly what price it will have to sell the grain at because this is the responsibility of the co-op.

Mr. KROFT: That is correct.

Mr. HARKNESS: They may lose money.

Mr. HORNER (*Acadia*): They would make money if the price went up, but they would lose if the price went down.

Mr. KROFT: At a certain stage these people may go for this type of system, depending on the prices.

Mr. HORNER (*Acadia*): I should like to carry this discussion a little further in respect of eastern buyers purchasing the grain, and placing orders early; they are encouraged to do so, so that arrangements can be made to fill those orders, but they would have to pay storage on the grain; is that right?

Mr. KROFT: They would not have to pay storage for an extended period. A lot of our grain used in winter months is sold to eastern Canada in the months of May, June and July for shipment during the months of October and November. It is true that once the grain arrives in Montreal, Quebec or Prescott in October or November, then the buyer will have to pay his carrying charges and his interest. However, under the new arrangement recently announced by the government the storage from October 15 is taken care of.

Mr. PATERSON: They only pay the interest from the date the grain is shipped.

Mr. NASSERDEN: That is true in the case of an individual buying at a future price, but what happens if he pays cash on the spot?

Mr. KROFT: If an individual wanted to buy his grain and move it down, it is true he would have to pay his own carrying charges. Most of these merchants are smart traders and they will trade in a way to eliminate the carrying charges as much as possible.

Mr. HORNER (*Acadia*): That is the general practice with the percentage of grain that is not already committed. That is the general pattern in the trade. I am going to use a grocery store as an example. An operator of a grocery store hears that pork and beans are going up but he already has his stock in storage. Would that man in the trade increase his price to match the going market price? Is that the general pattern?

Mr. KROFT: I can not answer that question directly because, as I say, we have made a point of delivering our grain to Quebec, Montreal and Prescott and turning it over to a large number of merchants, co-operatives and others, and we do not really know what happens after that.

Mr. HORNER (*Acadia*): I do not know whether this is a general operation but I wondered whether you could give me some idea of what the general practice was in the trade in regard to increasing the price.

Mr. KROFT: This is one type of speculation I would not like to engage in.

Mr. HORNER (*Acadia*): At page 6 of your report you state:

"In other words, when the warehouse receipt is purchased the grain changes hands and is available for shipment or disposal. With one qualification—"

Is there any significance to that phrase: "With one qualification"?

Mr. KROFT: Yes. There are times when the wheat board may have to ship large quantities in order to meet the export commitments. They may endeavour in their programming to move the feed grains when they are not involved in moving this export grain. After all, the wheat board does have a tremendous job sometimes to get everything moving. I am quite sure they are just as anxious to sell oats and barley as they are to sell wheat. This is one of the factors that they are responsible for and they have to watch it.

Mr. PATERSON: They have commitments to meet, but they would give the preference to the movement of wheat. This practice involves judicious merchandising.

Mr. HORNER (*Acadia*): I have one further question in respect of page 13 of your report. At the bottom of that page you state:

"But the real competition is still between the small farmer who buys a few bags of grain or mixed feeds in competition with his neighbour down the road who has the capital and storage so that he can purchase his grain and mixed feeds in large bulk lots."

Are you suggesting here, from the eastern farmer buyer's point of view, that the small farmer buys his grain in mixed feeds and the big farmer is doing his own grinding and mixing and adding concentrates to our good western grain? I have to put in a plug for western grain.

Mr. PATERSON: I think it is obvious that a farmer who buys one or two bags of oats obviously is going to pay more money than a large farmer who buys a large amount or a group of farmers who buy a whole carload.

Mr. KROFT: As a result of our own very careful analysis of our feed we are satisfied that the feed cost is warranted. It is quite true that the spread in price between a bag of chick starter and a bag of oats is quite substantial but we think that cost is warranted.

Mr. HORNER (*Acadia*): I do not mean to get you involved in a question of milling costs, but I wanted to make sure it was clear that the small farmer buys most of his grain in this way, and that a big jump in price, as you suggest, may be justified. I am not suggesting that it is not, but it is brought about to a great extent as a result of the added concentrates, grinding and milling of the grain.

Mr. KROFT: That is quite possible.

Mr. HORNER (*Acadia*): Another question I should like to ask in respect of this same sentence is, are you suggesting that it would prove in the long run more beneficial to the large farmer to buy his grain in bulk, do his own grinding and mixing his own concentrates if he so desires?

Mr. CLARKE: I think we are suggesting here that the assistance which is given to the small farmer is not really the assistance that is going to solve his problem.

Mr. HORNER (*Acadia*): That is fine, thank you.

The VICE-CHAIRMAN: Mr. Pigeon?

Mr. PIGEON: I am referring to page 8 in respect of brokerage. Is there the same tariff or the same charge when we export grain as there is when the eastern farmers purchase grain?

Mr. KROFT: According to the figures received from the Department of Agriculture, this is the margin of profit which the eastern distributors receive.

Mr. PHILLIPS: Because of the discussion which went on earlier, it would be well to make a note there and say "eastern wholesale brokerage".

Mr. PIGEON: Is it possible to know the tariff in the grain exchange by bushels?

Mr. KROFT: Yes; we have a tariff.

Mr. PIGEON: When you are the agency to export the grain, is there the same tariff as there is in the domestic trade?

Mr. KROFT: I want to be sure I have this right. There is no tariff established for the exporter when he exports grain. When he wishes to sell grain, the exporter abroad sells it at the best price he can, based on the price at which he can buy the wheat from the wheat board, or in the case of oats and barley in the futures market. It is up to him to establish a selling price by adding the costs of ocean transport and so on, plus whatever other costs there are, and based on the prices of other competitive grains in other parts of the world.

Mr. PIGEON: But what is the charge of the grain exchange?

Mr. KROFT: The grain exchange as such does not have any.

Mr. PIGEON: I am referring to page 11, at the top of the page:

The interplay of supply and demand results in maximum competition in the trade which in turn ensures minimum price spreads between the western producer and the eastern consumer.

If we were to abolish this interplay, do you think that would hurt the western farmers?

Mr. KROFT: I think the western farmer is able to export and sell his grain domestically to much better advantage, when he has the opportunity of doing so, through the futures market operation as it exists at the present time.

Mr. PIGEON: But, my question is: if, by this interplay, the farmers receive more for their wheat or barley when they sell—

Mr. KROFT: It is very difficult to pin-point a direct answer to your question, sir; but because of the operations of the futures market, everybody in the world who has any interest in these commodities always is in a position to know exactly what they can buy them for. A couple of years ago, after many years during which we were unable to export any oats at all, very suddenly, practically overnight, we found European buyers becoming interested in our futures market and starting to buy futures. Those very close to the situation in Europe realized it was because conditions had deteriorated in their crops and they wanted to buy oats and because they were able to buy these in large quantities through the futures market operation, in that year Canada was able to export very large quantities of oats.

Mr. PIGEON: But I am speaking of domestic use. In Canada if we stop this interplay, do you think that would hurt the western farmer; I am speaking now in respect of exports.

Mr. PATERSON: What would be the yardstick of value? Would you then have to rely entirely on what the export value was, or what would you use for a yardstick? One thing the futures market does is it serves as a yardstick.

Mr. KROFT: I think it would widen the spread between what a producer receives and what the consumer has to pay.

Mr. PIGEON: I direct this question to you because it is a fact that the eastern farmers and the British Columbia farmers need wheat, barley, oats, and so on, and I am surprised we have this interplay.



Mr. KROFT: We are suggesting there, because of the operations of this market, that both the eastern buyer and the western producer are getting the best possible prices for the grain, and that the spread between what they are paying and getting is much narrower than otherwise would be the case.

Mr. HORNER (*Acadia*): Is it not a fact that without the interplay you might have a greater fluctuation and greater price spread.

Mr. KROFT: I agree with that.

Mr. RAPP: I would suggest we have had very good coverage of the brief and good answers in the explanation. I think we should adjourn.

The VICE-CHAIRMAN: Before I entertain a motion for adjournment, I think Mr. Danforth has a question. Then, I will return to your motion.

Mr. DANFORTH: My question arises out of page 8. This deals specifically with brokers and brokerage fees. It says:

Estimated price at Scott (marketing costs not deducted)

I would presume with this price at Scott, the grain then would be in the hands of the wheat board.

Mr. KROFT: It would be in the elevator at Scott on that particular day.

Mr. DANFORTH: Would there not then be a fee to the wheat board in respect of brokerage on that particular quantity of grain?

Mr. KROFT: No, sir. You now are going back to a country elevator operation.

Mr. DANFORTH: This is where Scott is.

Mr. KROFT: Yes. You will note that immediately below that there is the figure  $4\frac{1}{2}$  cents a bushel allowed to the country elevator for taking the grain from the farmer, storing it, and shipping it out, at the direction of the wheat board.

Mr. DANFORTH: That is a direct handling cost?

Mr. KROFT: Yes.

Mr. DANFORTH: I can appreciate that. The wheat board must pay them some brokerage fee for service.

Mr. HORNER (*Acadia*): That comes in in the difference between what the farmer gets.

Mr. DANFORTH: In that \$166.70 there is a brokerage fee?

Mr. KROFT: Marketing cost.

Mr. DANFORTH: That is a fee for service?

Mr. PATERSON: That is described in the note on the next page.

Mr. DANFORTH: But I see here vessel brokerage; that is a brokerage fee.

Mr. KROFT: Yes.

Mr. DANFORTH: We can assume that is a service charge or a brokerage fee?

Mr. KROFT: That is a fee which is charged by the vessel owner's agent and goes to the vessel owner.

Mr. HORNER (*Acadia*): Would that include insurance?

Mr. KROFT: No.

Mr. DANFORTH: That is a brokerage fee. The exact brokerage is  $1\frac{1}{2}$  cents for a bushel; that is at the terminal elevator.

Mr. GREENE: Brokerage applies usually to a fixed charge; this is a variable. Competition might be such at times that they would only get half a cent.

Mr. PHILLIPS: I would prefer to call it the eastern wholesaler's mark-up.

Mr. DANFORTH: It is termed as the brokerage fee.

Mr. PHILLIPS: This is a fee included in the selling price to the retailer in eastern Canada.

Mr. DANFORTH: I was trying to determine the number of brokerage or service fees between the elevator in Scott and the country elevator, and I assume there are four.

Mr. KROFT: I hope you will note they are all very small.

Mr. DANFORTH: There is no question in my mind about the amounts. For the record I am trying to determine how many fees normally you would expect to pay between the country elevator in the west and putting it in the hands of the feeder in the east, and the number as I understand it normally is four.

Mr. PHILLIPS: If you want to get into the details of how many charges there are, there are many more. The 2.84 includes inspection, weighing, 40 cents per thousand for the lake shipper's clearance, and so on. There are others if you want to go into all the detail.

Mr. DANFORTH: No. Specifically I am interested in the brokerage or service charges, and as I understand it the answer is that the number is four. Am I correct? I think that is all I have, Mr. Chairman.

The VICE-CHAIRMAN: Seeing that there are no more questions—

Mr. NASSERDEN: I have a point I would like to get on the record—one question.

The VICE-CHAIRMAN: If I allow you one question, then I will have to allow Mr. Vincent.

Mr. VINCENT: Mr. Chairman, I do not think we will come back to this.

The VICE-CHAIRMAN: I believe it is mentioned in the steering committee's report that we will come back to this matter; that is, that we would study the difference in feed grain prices. I believe we will be inviting the Winnipeg Grain Exchange back at a later date, or at the beginning of the new session.

I was going to adjourn this meeting until Tuesday, December 17, when the Association for the Development and Protection of Eastern Agriculture Incorporated will appear. That should be quite an interesting meeting.

I should like to thank the representatives of the Winnipeg Grain Exchange for appearing today.

6  
HOUSE OF COMMONS

First Session—Twenty-sixth Parliament

1963

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STANDING COMMITTEE

ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

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## MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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Respecting the Annual Report of the  
DEPARTMENT OF AGRICULTURE (1963)  
with particular reference to matters relating to the  
PRICE OF FEED GRAINS

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TUESDAY, DECEMBER 17, 1963

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### WITNESSES

*From The Association for the Development and Protection of Eastern Canadian Agriculture Inc.:* Messrs. Emile Cordeau, Vice-President; J. O. Levesque, Director; René Blanchard, Secretary; H. Bower, Assistant and R. C. Bosco. *From the Department of Agriculture:* Mr. C. R. Phillips, Director of Plant Products.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1963



STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                        |                                    |                               |
|------------------------|------------------------------------|-------------------------------|
| Armstrong,             | Gauthier,                          | O'Keefe,                      |
| Béchar, d,             | Gendron,                           | Olson,                        |
| Beer,                  | Groos,                             | Ormiston, <sup>6</sup>        |
| Berger,                | Hamilton,                          | Ouellet,                      |
| Bigg,                  | Harkness,                          | Pascoe, <sup>7</sup>          |
| Cadieu ( <i>Meadow</i> | Herridge,                          | Pennell,                      |
| <i>Lake</i> ),         | Horner ( <i>The</i>                | Peters,                       |
| Choquette,             | <i>Battlefords</i> ), <sup>4</sup> | Pigeon, <sup>3</sup>          |
| Clancy, <sup>2</sup>   | Horner ( <i>Acadia</i> ),          | Rapp,                         |
| Crossman,              | Jorgenson,                         | Rochon,                       |
| Cooper, <sup>8</sup>   | Konantz (Mrs.),                    | Roxburgh,                     |
| Cyr,                   | Korchinski, <sup>5</sup>           | Stefanson,                    |
| Danforth,              | Langlois,                          | Tardif,                       |
| Dionne,                | Laverdière,                        | Temple,                       |
| Drouin,                | MacLean ( <i>Queens</i> ),         | Vincent,                      |
| Émard,                 | Mather,                            | Watson ( <i>Chateauguay-</i>  |
| Enns,                  | Matheson,                          | <i>Huntingdon-</i>            |
| Éthier,                | Matte,                             | <i>Laprairie</i> ),           |
| Forbes, <sup>1</sup>   | Mullally,                          | Watson ( <i>Assiniboia</i> ), |
| Forest,                | Muir ( <i>Lisgar</i> ),            | Whelan—(60).                  |
| Forgie,                | Nasserden,                         |                               |

(Quorum 20)

<sup>1</sup>Replaced by Mr. Lamb on December 13.

<sup>2</sup>Replaced by Mr. Loney on December 13.

<sup>3</sup>Replaced by Mr. Alkenbrack on December 13.

<sup>4</sup>Replaced by Mr. Cardiff on December 13.

<sup>5</sup>Replaced by Mr. Madill on December 13.

<sup>6</sup>Replaced by Mr. Willoughby on December 13.

<sup>7</sup>Replaced by Mr. McCutcheon on December 13.

<sup>8</sup>Replaced by Mr. Ricard on December 13.

## ORDER OF REFERENCE

FRIDAY, December 13, 1963.

*Ordered*,—That the names of Messrs. Lamb, Loney, Alkenbrack, Cardiff, Madill, Willoughby, McCutcheon, Ricard be substituted for those of Messrs. Forbes, Clancy, Rapp, Horner (*The Battlefords*), Korchinski, Ormiston, Pascoe, Cooper respectively on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*





## MINUTES OF PROCEEDINGS

TUESDAY, December 17, 1963.

(11)

The Standing Committee on Agriculture and Colonization met this day at 10.10 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

*Members present:* Messrs. Asselin (*Richmond-Wolfe*), Bechard, Bigg, Cardiff, Crossman, Cyr, Danforth, Dionne, Emard, Ethier, Gauthier, Hamilton, Harkness, Honey, Lamb, Laverdiere, Loney, Madill, Matheson, Matte, McCutcheon, Mullally, Nasserden, Oullet, Peters, Pigeon, Ricard, Vincent, Watson (*Assiniboia*), Whelan, Willoughby.—(31).

*In attendance:* *From The Association for the Development and the Protection of Eastern Canadian Agriculture Inc:* Messrs. Emile Cordeau, Vice-President; J. O. Levesque, Director; Rene Blanchard, Secretary; H. Bower, Assistant, and R. C. Bosco. *From the Department of Agriculture:* Mr. C. R. Phillips, Director of Plant Products.

The Committee agreed to sit until 1.00 o'clock p.m., and adjourn for the day as the witnesses cannot be present at an afternoon meeting.

The Chairman introduced Mr. Levesque, who then introduced the other officials of the Association.

It was agreed that the brief submitted by the Association, together with the supplementary information from Bosco and Bower Limited be taken as read and appended to the Evidence. (*See Appendices 1 and 2*).

The Committee proceeded to the questioning of witnesses.

As requested by Mr. Jorgenson, at a previous meeting of the Committee, Mr. Phillips filed with the Clerk a statement entitled "Handling of U.S. Corn at Eastern Elevators".

*Agreed:* That this statement appear as an Appendix to today's Evidence. (*See Appendix 3*).

Mr. Phillips quoted from a table entitled "Feed: Retail Prices per 100 pounds delivered (bags included)".

It was also agreed that this table be appended to the Evidence. (*See Appendix 4*).

The examination of the brief and the questioning of the witnesses being concluded, at 1.10 o'clock p.m., the Committee adjourned until Thursday December 19, 1963, to hear representations from The Maritime Co-operative Services Limited.

D. E. Levesque,  
*Clerk of the Committee.*



## EVIDENCE

TUESDAY, December 17, 1963.

The CHAIRMAN: Gentlemen, we have a quorum.

We are very pleased this morning to welcome the officers of the association for the development and promotion of eastern agriculture incorporated.

I would like to ask Mr. J. O. Levesque, the president, whom I understand will soon be succeeded in that office, to introduce those officials who are with him from this association.

Mr. J. O. LEVESQUE (*Director, The Association for the Development and Protection of Eastern Canadian Agriculture Incorporated*): Mr. Chairman and gentlemen, I am pleased to be here in Ottawa with you this morning.

At this time I will introduce the officials who have come today.

Sitting next to the chairman is our secretary, Mr. Rene Blanchard, who will give you the object of the association together with its philosophy. Sitting next to Mr. Blanchard, on my left, is Mr. Bower, who is a technical expert. On my right is Mr. Cordeau and next to Mr. Cordeau is Mr. Bosco.

The CHAIRMAN: Thank you, Mr. Levesque.

Gentlemen, before I call on Mr. Blanchard, who will speak next, I am going to make the suggestion to the committee that as most of us have had an opportunity to read the brief because of the delay in starting this morning would it be agreeable that the brief be summarized? In this way more time will be left to us for discussion with these gentlemen who are with us this morning. I have spoken to Mr. Blanchard in this respect and he is agreeable to summarizing it.

Mr. Levesque and his colleagues have indicated to me they would like to leave Ottawa this afternoon and with the committee's permission I know it will facilitate their travel arrangements if we sit until, say, 1 o'clock. In this way the gentlemen will be able to leave this afternoon and we will not have to come back for an afternoon sitting.

Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Before I call on Mr. Blanchard could we agree that the brief submitted by the association, together with the supplementary information from Bosco and Bower limited could be taken as read and appended to the minutes of this proceeding? Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I will now call on Mr. Blanchard.

Mr. RENE BLANCHARD (*Secretary, the Association for the Development and Protection of Eastern Agriculture Incorporated*):

(*No interpretation in French—Improper functioning of equipment*)

The CHAIRMAN: Thank you Mr. Blanchard.

I understand Mr. Bower will touch the highlights of the brief and then we will move into questioning.

Mr. H. BOWER (*Assistant Director of the Association for the Development and Protection of Eastern Canadian Agriculture Incorporated*): Thank you Mr. Chairman and gentlemen, I will try to summarize as best I can at a moment's notice the brief that I intended to read. The more pertinent paragraphs I intend to read in full if this meets with your approval.



The introduction of our brief points out that by nature and by the efforts of these people in Canada the farmers of Canada ought to be in a position to prosper and bring the state of agriculture in our country to its highest level. This apparently is not so. It appears both in western Canada and in eastern Canada that certain conditions have brought about a decline in the state of profitability in agriculture, and that we are now faced with a situation where in eastern Canada many farms are being abandoned because farmers have ceased to succeed in deriving a living from their efforts. Therefore, a number of steps have to be taken to remedy this situation.

There is evidence that the decline of eastern agriculture started shortly after the government extended, in 1948, the western wheat monopoly to oats and barley, the grains which are essential to the eastern Canadian livestock and poultry industry. The trade barriers in western Canada resulted in forcing the western farmer to utilize his surplus in the only fashion open to him, and that was by feeding his excess production to livestock which they cannot dispose of in their local markets. These surpluses were eventually shipped to the east and contributed to a large extent to the depreciation of livestock and meat prices.

For instance, it is pointed out here in the brief that people who live on the island of Montreal, consume more agriculture products than Manitoba and Saskatchewan combined; whereas in the entire prairie provinces there is only about 20 per cent of the Canadian population producing from 100 per cent to 200 per cent more pork, poultry and eggs than the requirements of their local markets.

In eastern Canada the situation is somewhat different. In eastern Canada the production per capita is much smaller than in western Canada.

It is the opinion of farmers in general and the association in particular that it is economically more feasible and also more in the interests of the eastern farmer, to have more of the production concentrated in the east for two very sound economic reasons. One being that cheap transportation of grain, which is used for feed by water and by rail makes it more economic than producing meat in the west and shipping it east with all the extra cost of refrigeration, transportation and handling.

I should like now to read one paragraph in full. This paragraph states:

We come now to the saddest part of our report. We would like to confine ourselves to the province of Quebec, where farmers are probably worse off than in the richer province of Ontario and even the smaller provinces of the maritimes with the exception of Newfoundland. We believe that out of the 85,000 farmers in the province of Quebec, at least half will have to abandon agriculture or, if some can afford it, can maintain their farm as a homestead by taking jobs elsewhere. A few thousand farms are anyway so small that they cannot be considered as an agricultural enterprise.

Others are too indebted and lack funds and equipment to produce pork and poultry, and a few dairy cows they possess cannot produce enough money for a living. However, there might be some help for those farmers who do not produce enough grain but still have reasonably good pasture. For those people there might be some future in going into the production of beef cattle, if the government would assist these farmers to buy or rent neighbouring farm land for grazing beef cattle and giving them the possibility to buy good breeding stock for breeding cattle. There is no reason why beef cattle could not be produced as efficiently as on the mountainous ranges of western Canada. It does not need much capital and does not need much time on the part of the farmer and therefore he has the opportunity to take part time jobs elsewhere. The production of beef cattle would reduce the production of dairy cattle, which costs the government plenty every year.

Continuing this suggestion, it is pointed out that in other countries, for instance Australia and New Zealand, there has been a very aggressive sales policy and propaganda policy implemented by making people more conscious of the qualities and advantages of eating lamb and mutton. We believe that there is a possibility through active propaganda for increasing production of lamb in Canada, and even to export some in view of the favourable geographical position; and there is enough land in eastern Canada suitable for the raising of sheep.

The decline in the profitability of eastern animal husbandry has led to a point where farmers are no longer able to pay for their feed, and this has led to a system of expensive credit on the part of feed mills and wholesale merchants who are highly over-extended in their credit to farmers without reasonable security, just on the assumption that they are going to be paid somehow, sometime. In fact, a study of accounts receivable of a number of feed mills in the province of Quebec has shown that at least a quarter of the accounts receivable are not collectable except on a "never never" system, as you might call it. This deplorable situation is another reason why the production of pork and poultry is progressively being taken over by large feed and flour companies, combines of a sort, who by a system of vertical integration will control and organize every facet of the industry right from the grain to the finished wheat product. This vertical integration takes in all phases of the processor producing meat and meat products, including dairy products and eggs and so on. It is also leading gradually to very much increased activity on the part of country feed mills who more and more are building their own poultry houses, hatcheries, piggeries, and abattoirs, so that the feed mill merely becomes an integrated part of these lines. In a sense they are forced into this too because if somebody has to owe the money for the feed it is better if they owe it to themselves rather than to somebody else.

Our association has always at its meetings and through publications emphasized that if the farmer is to survive it is necessary to establish a complete form of unity, liaison if you wish, between east and west, between the people who represent the co-operative movements and the segment of our agricultural economy represented by private enterprise. There is no doubt that the permanent threat is, as some agrarian propaganda is preaching, the elimination of free enterprise. It is also a factor that large flour mills as well as country feed mills have accelerated their integration into meat and poultry production. We are firm believers in the necessity of agricultural co-operatives so long as they can prove that they can give better or equal service and equal or lower prices to farmers in their localities. We are very proud, as a matter of fact, that a number of very efficient co-operatives are members of our association and are quite successful in their competition with private enterprise. There are still a few thousand farmers who have stayed in step with progress in the industry and have at least some means to improve their production facilities, but even those thousands of farmers need help, and this help could be provided by making funds available for the improvement of the soil and for the purpose of getting good seeds, fertilizers and breeding stock.

Grain production in eastern Canada can no doubt be increased. We have an excellent example in western Ontario where the production of feed grain has tripled in the last few years, and the excellent yields in quality and quantity that in some years at least we have in our areas in the east.

We are very happy to see full prosperity in prairie farm life has been achieved, and this is partly due to large subsidies grain growers have received since the end of world war II. It is time now that the government helped eastern Canada. Help might be too late for thousands of them, but many of them have not yet passed the point of no return.



Summing up our comments to the submission by the Canadian Federation of Agriculture to the hon. Harry Hays and the hon. Rene Tremblay, we believe that every one of the thousands of different branches of production and distribution of goods should be properly represented through associations, one of them being the Canadian Federation of Agriculture. However, we believe that the name of the Canadian Federation of Agriculture is an overstatement as this federation represents only those farm organizations who are exponents of co-operative societies. This segment represents only a small fraction of our Canadian animal husbandry industry.

At this point I would like to point out that private enterprise in the feed and animal husbandry industry in Quebec and in Ontario has probably between 60 and 70 per cent of this trade, if not more. To support this, the statistics of the Department of Agriculture are listed and published with the names of the firms who have received freight subsidies during every year, which are paid through eastern wholesalers—both co-operative and wholesale grain merchants. These figures show year after year that only a small fraction of western feed grain was sold through the co-operatives. This is also borne out by the statistics of slaughtering and processing of meat, poultry and so on, to show again the predominant share of private business in this industry. We mention this only to show that the Canadian Federation of Agriculture is not entitled to speak for Canadian agriculture as a whole, although, as mentioned before, our association welcomes anybody who gives better service and delivery of goods to farmers and, on the other hand, pays higher prices for their products.

Now we come to the question of a feed bank or feed agency that has been proposed by the federation in a memorandum, and I want to point out that only a comparatively small part of the type of feed that is generally used in eastern Canada—balanced rations—consists of grain, only about 50 or 60 per cent. The balance is made up of such items as corn, soybean meal, mill feeds and other protein supplements. These supplements and additional feeds are under no control whatsoever; they are not handled by the wheat board or by any other agency; they have a free market, and consequently their prices have a much stronger bearing on the final cost of feed to the farmer than the cost of grain, which is reasonably stable most of the time.

The best evidence that free competition and freedom of choice is the only system of efficiently handling feed grain at the lowest possible cost is demonstrated in the present supply situation of western feed grain in eastern Canada.

It is a fact that in the history of the grain trade we have had enormous quantities of grain shipped within the last two or three months through the St. Lawrence. In spite of this enormous volume, there has been more than enough feed grain available at all times for eastern feeders. We are going into the winter season with supplies vastly better than we have had before over a great many years. It proves if nothing else that we have the capacity to handle under the present system whatever is required to satisfy both the export market as well as our domestic needs.

The question is: is it therefore worth while for a good many wholesale grain merchants and their employees, who served their customers efficiently and faithfully for more than 50 years in some cases, while in other cases even longer than that, to be jeopardized over a utopian venture which may achieve nothing? We do not want to go into more detail on this, since we have dealt with it in the previous pamphlet, and since it is already mentioned in other parts of this brief.

I shall now skip some of this material and go to page seven.

Members of our association, grain merchants, operators of feed mills, live-stock producers, wholesalers, extend an invitation to the members of your



committee or your delegates to visit their establishments and offices, to see for yourselves, once and for all, the efficient and economically useful services they perform. All their records will be open to your inspection. Furthermore, they will assist you in every way possible to sample the opinion of their many farm customers.

We take this opportunity to express our thanks to the Department of Agriculture, the Department of Trade and Commerce, the Canadian wheat board, the national harbours board and the board of grain commissioners, for their accomplishment to supply eastern Canadian livestock and poultry producers with western feed grain at any time and at reasonable prices under the most difficult circumstances. We do not need any more new "boards" "in between governments" as we have full confidence in the expert knowledge of our federal agencies and the assistance and consideration we have always received from our elected members of parliament.

To sum up in short, here are some suggestions which we take the liberty to submit to your committee:

1. The appointment of an associate Minister of Agriculture.

2. The formation of a committee sitting every three months, composed of: one delegate of the United Co-operative of Ontario; one delegate of the Ontario Feed Dealers Association; one delegate from the Co-operative Federee de Quebec; one member of our association; one member from the maritime service Co-operative in Moncton and one representative from the maritime feed merchants. These delegates should present memorandums for discussion and experts from eastern Canada versed in all phases of agriculture should have a chance to express their opinions. If this committee sits under the chairmanship of a delegate of the Department of Agriculture and the Department of Trade and Commerce, together with representatives of the Canadian wheat board, the national harbours board and the board of grain commissioners, these friendly discussions will lead to harmonious relations and will assist our government to formulate legislation in the interest of the Canadian farm economy as a whole.

3. While we believe that subsidies should only be sparingly applied in cases of emergency, such an emergency has arisen in some sectors of eastern farm economy;

4. We also believe that our government should initiate a powerful and extensive propaganda to improve the quality of our agricultural products, to promote home consumption and increase the demand in export markets.

We thank you very much for devoting your time and energy to the solution of the problems of eastern animal husbandry.

The CHAIRMAN: Thank you very much Mr. Bower for summarizing your brief for us. I think we shall now examine it. Mr. Ricard, Mr. Matte and Mr. Pigeon have indicated that they have questions to ask you, in that order.

Mr. RICARD: Mr. Chairman, if you will allow me, I shall direct my questions in French, since the greater part of the delegation are French speaking. I have a rather particular case in view of the fact that among the representatives here there are two from my constituency. I am very happy to welcome them consequently. I hope that their visit to Ottawa will be very fruitful for them.

If you will allow me, I shall now put several questions which I would like to ask. However I will limit myself to two because I know that several others on the committee also have questions to ask.

Mr. Blanchard, in view of the fact that your organization is particularly interested in the agricultural industry of this country I would like to ask you the following question: you mentioned a few minutes ago that you had 165 members, composed partly of flour mill owners and others. I would like to know how many farmers are paid up members of your organization?

Mr. BLANCHARD: We would have to determine what we understand by the word "farmer" here in Canada. Are they people who deal with agricultural production? Are they people who live exclusively on agricultural production? I think that at this particular time we cannot voice any clear and precise definition of what a farmer is in eastern Canada.

Mr. RICARD: In the brief you seem to have a very precise idea of what a farmer is. I am basing my question on the facts you stated in your brief, and it is: how many farmers, as you describe them in your brief, do you have among your membership?

Mr. BLANCHARD: In fact if we limit ourselves directly to those who have paid contributions, we have approximately ten per cent. The contributions are slightly higher than those of other organizations, but they have freedom to join.

Mr. RICARD: You also know that in this question of protection of the agricultural industry there is provincial responsibility as well as federal responsibility. Have you in the past, or do you in the future, propose to present your brief to both governments, that of the province of Quebec and that of the province of Ontario?

Mr. BLANCHARD: Certainly that has always been our objective. We have gone to see the minister of agriculture of Quebec, and we have read approximately the same brief, but perhaps in different terms. However here we are exploring, I believe, a brief which takes into account the whole of Canadian agricultural policy, and which also takes into account western production and the differences between eastern production and western production which lead us to believe that a uniform policy will never satisfy both agricultural groups, those in the east and those in the west.

Mr. RICARD (*Interpretation*): Have you met the ministers of agriculture in Ontario and the eastern provinces? In your brief you speak of agriculture in the east. It seems to me that perhaps you should speak to the various departments of agriculture which have jurisdiction in this field. Have you met the ministers in the other provincial governments?

Mr. BLANCHARD (*Interpretation*): We have met the representatives of the Ontario Feed Association. We relief on our relationship with the association to inform the governments of their points of view.

Mr. RICARD (*Interpretation*): But your association has not taken any direct steps with the government of Ontario?

Mr. BLANCHARD (*Interpretation*): No.

Mr. RICARD (*Interpretation*): I have some other questions but I will come back to them later to give other questioners a chance.

Mr. MATTE (*Interpretation*): What is your particular object which differentiates you from other agricultural associations?

Mr. BLANCHARD (*Interpretation*): I would reply that the basic object of the association is to help and try to maintain the family farm in Quebec as well as in the maritime provinces because they are having a great deal of difficulty amidst the flurry of these times. We deplore the fact that the family farms, in spite of the legislation passed in the last few years, are less and less in a position to give a profitable economic and acceptable way of life to these



people. You only have to look at the average income of the family farm in the east and you will see that its income is not at all sufficient to allow for an acceptable life in the contemporary economy.

Mr. MATTE (*Interpretation*): As a practical consequence, what do you suggest?

Mr. BLANCHARD (*Interpretation*): As a practical consequence we should like to determine here with other associations a system of legislation and help in the form of subsidies and grants which, in our opinion, have not fully played the role expected of them. We should like a revision of the philosophy and policy directed towards eastern Canada as well as a revision of administrative techniques, particularly in transportation. The old legislation of 1927 is not at all efficient, I am speaking in particular of the hog policy for eastern Canada. We should also have a classification of the quality of animals and fowl. We think that this legislation should be improved and should at least take into account the particular aspects of production in the east.

Mr. MATTE (*Interpretation*): You are showing us the negative side, but so far as the positive side is concerned, in your opinion is there an organization which represents all sectors of the agricultural industry; has it had the opportunity of being heard in Quebec and here and of representing all sectors?

Mr. BLANCHARD (*Interpretation*): Private enterprise, co-operatives and professional enterprises of all types? We do not believe that such committees have had an opportunity of representing their views. We are aiming in this direction because all the associations have come so that we will be truly representative and not be forgotten, as we have been forgotten in the past, because we have never asked anyone to finance our undertakings.

Mr. RICARD (*Interpretation*): I should not like to leave the impression that it is only this year that representatives have succeeded. This has been done for several years now.

The CHAIRMAN: Have you concluded, Mr. Matte?

Mr. BECHARD (*Interpretation*): I have a supplementary question. You mentioned, a little while ago, that 10 per cent of your members are farmers as we understand farmers. You say your objectives are to save the family farm. How many farmers are owners of family farms and members of your association?

Mr. BLANCHARD (*Interpretation*): We have several farm owners in here in spite of the fact that the number is not very high. This is why I wanted you to explain what you understand by "farmer".

Mr. BECHARD (*Interpretation*): You know what the definition is. How many of the 10 per cent are members of your association and owners of family farms?

Mr. BLANCHARD (*Interpretation*): If we consider this, we could easily name the number because we have accounts receivable and we could easily count a great many of them. We have never attempted any publicity in this regard. We do not have publicity agents to go throughout the rural areas and get subscriptions or contributions. This is not the angle from which we want to revalue the family farm. We want to allow the family farm to produce at a cost which will allow for some profit and which will not force us to support part of the agricultural industry of the country.

Mr. PIGEON (*Interpretation*): I am referring to page seven of the French brief concerning feed grain banks. Your association seems to be categorically opposed to the establishment of a feed grain bank for eastern Canada, including British Columbia. What are your main reasons? I am asking you, Mr. Blanchard. What are your main reasons for opposing such a suggestion?



Mr. BLANCHARD (*Interpretation*): We have made representations to the government—Mr. Pigeon, you were there at the time—to show how sometimes such boards can hinder rather than help a just distribution of agricultural products, and particularly western feed grains. We have now seen the Canadian wheat board doing excellent work, but because of its special nature it can oppose legislation which might be more profitable for the eastern farmers. At this time we are opposed to it because we believe that, first of all, we are going towards more and more accentuated socialism, and the examples we find in other countries lead us to conclude that it is not in this regard that we might find less costly solutions which would be more acceptable.

Mr. PIGEON: I will now continue in English. In many countries in the western world we have crown corporations, and that does not mean they are socialist or communist, because I think the state will allow free enterprise, but in some way for the public interest it is very important to have relief from the government or crown corporations. I would like to know what is the main reason for your opposition to having a bank of feed grain? Do you think that this kind of legislation will reduce the price of grain for farmers? I ask you a direct question and I know you will answer me directly also.

Mr. R. C. BOSCO (*The Association for the Development and Protection of Eastern Canadian Agriculture Inc.*): May I answer this question? I have been in the grain business for a very long time and in the last few years have had the occasion to travel to many countries and to different continents.

It is difficult for me to see how grain can be cheaper to the eastern farmer if you have a feed bank. First of all, the prices are established exclusively by the Canadian wheat board. According to the present legislation, the Canadian wheat board cannot make any exceptions; the Canadian wheat board is a federal agency entitled only to sell western grain, wheat, oats and barley, at the highest possible price which can be obtained. So, it is not right to suggest we can get cheaper grain from western Canada. The grain goes east to Fort William where it is stored there to the account of the Canadian wheat board. The rate for the loading of the grain from the elevator into the boat is fixed by the board of grain commissioners. Then you have the price delivered at Montreal. Anyone who is in the grain business would be able to explain it in two minutes. They can check the profits which a western shipper makes, and what the eastern distributor makes, to the last cent.

Mr. PIGEON: If possible I would like you to give the committee figures to repudiate the suggestion that there should be a feed bank of the type mentioned. Will this feed bank reduce the price of the grain or will it not?

Mr. BOSCO: This statement is a review of the feed supply situation in eastern Canada. All the details are contained in this. Everyone can check the cost of feed grains delivered to the final destination. This is shown at pages 2 and 3.

Mr. ASSELIN (*Richmond-Wolfe*): Because I do not know too much about farming, for clarification would you explain what exactly is a feed bank?

Mr. BOSCO: A feed bank is a method of getting the grain shipped from Fort William to the eastern destination; it is a type of a pipe line which would be established by a federal agency which would buy the grain and distribute it afterwards.

May I say something? The price of western feed grain, so far as the eastern livestock interests are concerned, is of very little and practically no importance. It is like the man who has a button and goes to the tailor and says "I want to have my suit made cheaper". Feed is sold only as balanced rations; it is a mixture of western grain, protein such as alfalfa meal and other ingredients.

Eastern Canada every year produces between 170 and 200 million bushels of grain. The eastern producers have to supplement their requirements of feed grain by about only 70 to 80 million bushels. This means one third. I have figured out that balanced rations contain about 20 per cent of supplement protein, and mineral supplements which are very extensive, such as feed meal, fish meal, soya meal, vitamins and so on. These items form about 20 per cent of the ration. If you figure out the balance, about two thirds is eastern grain and one third western grain. This means that 27 per cent is western grain, and 53 per cent eastern grain. Of course, in some districts where they have more grain, they use mostly eastern grain, and in some districts where there is less, they use more western grain. This means that only one fifth of the balanced ration is western grain, oats, wheat or barley.

So, I cannot possibly see the real importance, or how anyone can believe that the eastern agricultural or livestock industry can be helped by a feed bank. Let us suppose western grain goes up 10 per cent; it is still peanuts.

What is necessary, gentlemen, is to try to arrange the supply and demand in respect of the livestock products. It is not the grain which is too high; it is the pork and eggs which are too low. That is the main issue. In my opinion this is the main cause of our trouble in the east, and also in the west. The western producers of pork, poultry and eggs, even in the last few years when they have been shipping grain to the east, cannot make any money on these products. What is necessary is nothing else but to try to make certain changes in respect of the production and supply of livestock.

There is an article which appeared in the largest French newspaper, *La Presse*: "Farmers are at the mercy of crooks". That is accompanied by a picture.

I see one member smiles. I did not smile; but a man of my advanced age does not get angry. When you speak of the poverty of farmers, people are talking about something which they do not properly understand.

The CHAIRMAN: I believe Mr. Levesque indicated he would like to make a comment.

Mr. LESVEQUE (*Interpretation*): Mr. Pigeon, 15 or 20 years ago in Montreal there were about 20 box cars a day left in Montreal.

(Text) The people charged about a dollar a ton to sell grain to the province. I do not believe any feed bank is going to do a better job; I do not believe it at all.

Mr. PIGEON: Mr. Levesque, I would like to ask you this: we have a body called the Canadian wheat board in the west, which is a kind of agency to work for the western farmers. All the western farmers are happy to see this body; they see the work it is doing for western farmers. We would like to know whether it would be possible for eastern farmers, including British Columbia farmers, to have the same kind of a body which might help the eastern farmers pay less for their feed grains. In your brief you use the word "socialism", I do not think this should be used as a reason for withdrawing this suggestion. I put this question in the interests of the farmers of this country.

Mr. DANFORTH: Mr. Chairman, on a point of order; I do not wish to interrupt the proceedings in any way but, as you know, our time is very limited.

May I suggest that the witnesses are most familiar with this problem and the briefs which they have submitted are very comprehensive. May I suggest that the witnesses try not to duplicate information which is in the brief in their answers. If the facts and figures are in your brief I think it would expedite the proceedings of this committee if you would add just information which is not directly contained in the brief.

The CHAIRMAN: Yes. That is a very good idea, Mr. Danforth; thank you. That is a point well taken.



I would ask the witnesses to attempt to be fairly concise, as I am sure the members of this committee will be.

Mr. BOSCO: I will now answer the question. The Canadian wheat board is the representative of the producers while the so-called feed bank is an agency which comes in between the western agents and the eastern distributor of grain. As you know, the western grain producers are the largest exporters. About 75 or 80 per cent of western wheat is exported. We cannot possibly say that grain prices from the west should be cheaper. They cannot sell at a lower price. The price which western farmers receive for oats and barley is too cheap. I have given all the details in this connection in this brief and you can check them when you have time.

Mr. LEVESQUE: I think we have a better distribution of grain now because if we need a carload of grain we call for it and, if we need credit, we can get that as well.

Mr. PIGEON (*Interpretation*): A member of parliament in the house a short while ago said the grain merchants were dishonest. For the record, I dissociate myself from this remark which I consider to be stupid. We cannot use parliamentary immunity to make such attacks on these people. If we ask questions we are doing it simply in the interests of the farming class. It was Mr. Drouin who made the attack which, in my opinion, was very base and dishonest.

The CHAIRMAN: We want to move on. I think that was more a statement of opinion of Mr. Pigeon than a question.

Mr. Gauthier had a supplementary question. We are going to confine ourselves to eastern feed grain as much as we can. Mr. Gauthier, I have you fourth on the list; would you permit me to move to Mr. Emard and I will come back to you later?

Mr. GAUTHIER (*Interpretation*): I just have one short supplementary question. May I pose that question at this time?

The CHAIRMAN: Yes.

Mr. GAUTHIER (*Interpretation*): It is a supplementary question in respect of the feed bank.

The CHAIRMAN: Will you hold that question until we deal with it later on?

Mr. EMARD (*Interpretation*): Mr. Chairman, I have a question for Mr. Blanchard. He said a while ago there were 31,000 farms which had disappeared; was this in a ten year period?

Mr. BLANCHARD (*Interpretation*): From 1951 to 1956.

Mr. EMARD (*Interpretation*): Could you give me the main reasons why these farms disappeared?

Mr. BLANCHARD (*Interpretation*): Firstly, there was a lack of profitability and, secondly, it was brought about by the power techniques which our farmers use. Perhaps their techniques are outmoded. Perhaps, also, it could be explained by a lack of education in agricultural techniques. Another reason for it would be the individualistic character of farming. We see this everywhere. In respect of Russia we note that they have had to go back to a mitigated way of doing it.

Mr. EMARD (*Interpretation*): Have you any suggestions to make in this connection?

Mr. BLANCHARD (*Interpretation*): I believe the small farm can no longer exist unless they are organized into groups in order that they will not waste their equipment. As you know, equipment is very expensive.

Mr. EMARD (*Interpretation*): As you know, we have many complaints in respect of the high price of feed grains, particularly in the province of Quebec.



Is the reason for this the fact that western farmers sell at too high a price or does it depend on the cost of transportation and the profit which is made by the wheat merchants?

Mr. BLANCHARD (*Interpretation*): If I could reply briefly, I suppose we could say the price is too high when we do not have money to purchase it, but what is lacking is the proportional profit. When we know that hogs sell at 25½ cents at the present time we know very well because of the very reasonable price of manufactured grains there is a differential which cannot disappear. We know that it takes five or six months to raise a hog and from six hundred to seven hundred pounds of balanced rations. If this feed is \$3.80 at our local mills this is still a low price. American mills, which perhaps have a more precise system, will have a better price than we have, perhaps \$1.25. However, use is not made of the American markets in Quebec on account of the small profit to them. We have a supplementary brief in respect of the instability of the hog market. We cannot understand why this 1927 legislation has not been revised to date.

Mr. EMARD (*Interpretation*): I have a last question for Mr. Bower. A little while ago you said profit was very low in your industry. On December 12 last week we were told that the wholesale price in Montreal was \$2.31 for oats and that the selling price in Vaudreuil-Soulanges was, \$3.00, which represents a profit of 69 cents per hundred weight. The wholesale price in Montreal was \$2.22½ cents; the selling price was \$2.80, which represents a profit of 58½ cents a hundred weight. Could you explain the difference in these two prices when this area is removed only 20 miles from the city of Montreal. That is more than 25 per cent, and even if you do calculate transportation I think it is far too much.

Mr. BOSCO (*Interpretation*): Who is the seller? Perhaps it was a retailer.

Mr. EMARD (*Interpretation*): It was a retailer.

Mr. BOSCO (*Interpretation*): If oats were \$2.31 that is very cheap.

Mr. EMARD (*Interpretation*): It was not the merchant who was paying \$2.31; it was the wholesale price in Montreal that was \$2.31.

Mr. BOSCO: It was not the retailer who charged too much, not at all.

I beg your pardon, oats was at \$2.31 in bulk.

Mr. EMARD: What was the wholesale price?

Mr. BOSCO: On December 12, the price of oats for bulk delivered to a destination in a 50 ton load was \$2.54. The price was approximately \$2.35 for people who bought in the summer when transportation rates were very low.

Mr. EMARD: The price of \$2.54 you say is the price you pay. The price that was given to us based on in storage at the lakehead was an estimated average cost including moving—(French, no interpretation).

Western feed grains from the main prairie points, such as Scott, Saskatchewan to Montreal on November 20, 1962—(French, no interpretation).

On December 12, this was the same price. However, all the prices furnished by the Winnipeg stock exchange are the prices that I mentioned, but when I check with the prices in my locality it was up to \$3 and there is consequently a difference of 69 cents. I am trying to find out what exactly the cause is for that difference.

Mr. BOSCO: If someone wants to purchase 100 cars at \$2.30 he cannot get it at that price. There must be something in the figures that you received which account for the difference.

Mr. EMARD: This is the price that we received. The cost of transportation is 20 cents; the cost of sacking was 15 cents, and then there is the profit to the retailer.

The CHAIRMAN: Mr. Cordeau has indicated that he may be able to give an answer.

Mr. CORDEAU: I suggest you check the price in any newspaper of that day, and defy you to discover a price for oats and barley less than \$2.50. That was the price on the market as reported in the newspapers of that day.

Mr. EMARD: This is the price that the Winnipeg grain exchange was quoting for that day. (French, no interpretation).

I am referring to the wholesale selling price at Montreal.

Mr. BOSCO: This is impossible.

Mr. EMARD: This was the figure provided to us by the Winnipeg grain exchange.

Mr. LEVESQUE: You will understand, sir, when you say \$2.50, there is a charge for transportation which brings it to \$2.65, and there is a 10 cent cost for milling which brings it to \$2.75. It is then delivered to the farmer and in ten years time you are going to fail if you maintain that price.

Mr. EMARD: (French, no interpretation).

The CHAIRMAN: May I interrupt here for one moment?

The INTERPRETER: The interpreter apologizes. It is impossible to interpret more than one speaker at a time.

The CHAIRMAN: Mr. Phillips is here from the department. Perhaps he can help the committee in this regard.

Mr. C. R. PHILLIPS (*Director, Plant Products Division, Department of Agriculture*): Mr. Chairman, the figures presented by the Winnipeg grain exchange relate to the price in store on November 20, and you will note that there is a brief indication that they used the prices that were presented to this committee by the Department of Agriculture. Those prices and the breakdown is now appendix one of report No. 2 of the Minutes of Proceedings and Evidence of this committee.

Included in the submission by the grain exchange and the submission by the Department of Agriculture there were several footnotes. The lake freight figure used in respect of oats was 8 cents per bushel. The footnote indicated that lake rates varied between 6 cents and 11 cents per bushel. During any year at the close of navigation, and in particular this year, because of the rush to get this wheat out to Russia lake rates are at a much higher figure, so the price for oats shown there should be raised, at this late period for those who purchase late, by 3 cents to 4 cents per bushel. In respect of oats that would be an increase of 9 cents to 12 cents per 100 weight.

Also in this submission there is an indication that the items should be increased by two factors where appropriate; the interest on the cost price between the purchase date at the lakehead and the selling date to the retailer, and the submission goes on to indicate that that would be one half cent per month per bushel.

It is also indicated in this appendix that there are charges for bags and packing, which would be about 15 cents per 100 weight. The markup by the retailer would vary and would include the cost of unloading from cars and delivery to farms plus a profit.

At the bottom of the appendix appear prices which confirm what these gentlemen have said in respect of some retail prices in the country. It also shows that when the prices were at these levels the grain was delivered to the farm.

I think with this explanation on my part these gentlemen can explain the cost factors on a retail basis that would lead to any additional items bringing it up to \$3.

The CHAIRMAN: Thank you, Mr. Phillips.

Mr. WHELAN: May I ask Mr. Phillips a question? I did not understand this the other day when these were being presented, but is it a fact that both lake shipping companies are allowed to charge the higher rate at this time, because of a so-called rush, when the railroads give a lower rate to haul the grain to eastern ports for export.

Mr. PHILLIPS: I believe in evidence on the first day the board of grain commissioners indicated that there was a law, under an act called inland waters or some such thing, that gives them authority to set a ceiling price on lake rates. About three or four years ago they dropped the ceiling price provision and from that date to this lake rates have been lower; it is competition between the carriers. Before, when it was set at a ceiling price, the ceiling became the floor and everyone charged the ceiling. Lake rates this year during the summer were the lowest on record, and they have gone up since the summer. Late in the fall the rates were considerably above the summer rates but slightly above last year.

The CHAIRMAN: Mr. Emard, is there anything further that you would like specifically to ask the witnesses before we move to Mr. Danforth?

Mr. EMARD: I would like to know what would be the price in Montreal for one hundredweight of oats with all the additional charges?

Mr. BOSCO: The price would be \$2.52 per 100 pounds loaded on the truck or loaded on the car at Montreal.

Mr. DANFORTH: Mr. Chairman, I would like to deal in specifics if I may. I will ask a number of questions requiring, I think, short answers in order to expedite this matter.

What I am trying to do is find out basically why there is the high cost. In this brief there have been generalities, and it seems to me that the whole portent of the brief we have had here this morning has been, "Look at every other business, but leave our particular business alone; leave the status quo." I do not think I am unfair in saying this is the basis of the representation this morning.

I think it has been brought out, regardless of how the grain is purchased there is only one pipe line so in Montreal we can establish every cost concerned with the grain. I think also the questions and answers have brought up the fact that basically the high cost to the feeder himself is influenced materially by the ingredients that are added to the grain. Am I correct?

Mr. BOWER: Correct.

Mr. DANFORTH: Before I deal specifically with that, as I have read these briefs—and if I am incorrect in the material I disclose, please correct me on this—I think it has been shown in the briefs that the profit was approximately three cents per bushel.

Mr. BOSCO: Three cents per 100 pounds.

Mr. DANFORTH: Approximately \$24 per carload of grain. Am I right in those figures?

Mr. BOSCO: Right.

Mr. DANFORTH: This is to the grain merchant, as he is called in eastern Canada? Am I correct?

Mr. BOSCO: To feed mills in the country, delivered.

Mr. DANFORTH: Yes, this is the delivered price to feed mills. Does the feed merchant have as an additional profit a storage charge per month on grain in his elevators.



Mr. BOSCO: During the winter months there are no storage charges because the government pays the subsidies to the elevators in the east. There is no storage. The only thing they lose is the interest.

Mr. DANFORTH: Please let me arrive at this. Regardless of who pays, it is a profit to the grain merchant? The storage in the elevators that he owns where he has the grain is a profit to the grain merchant.

Mr. BOSCO: No, he has no profit because—

Mr. DANFORTH: He stores the grain for nothing?

Mr. BOSCO: He gets four cents—a cent per bushel at the storage in the elevators for the winter period. This storage is paid for at this time, for the first year, by the Department of Agriculture. Let us say my firm alone carries over the winter months about \$5 million or \$6 million worth of grain.

Mr. DANFORTH: Pardon me. Are the elevators owned by the grain merchants?

Mr. BOSCO: No; the elevators are owned by the national harbours board.

Mr. DANFORTH: Then this is not an addition of profit to the grain merchants.

Mr. BOSCO: No, no profit at all.

Mr. DANFORTH: Let us get on to the concentrates. There is one figure here which is shown at 50 to 60 per cent of grain and the rest is concentrate. You have given us a figure of 80 per cent, or 20 per cent concentrate.

Mr. BOSCO: Yes.

Mr. DANFORTH: Am I correct in assuming that 20 per cent of 40 per cent concentrate will give you a 16 per cent ration as put out in your figures here?

Mr. BOSCO: About that.

Mr. DANFORTH: Then there is an addition of 20 per cent; this is the factor that is influencing the cost of the grain.

Mr. BOSCO: To a large extent, yes.

Mr. DANFORTH: Are the concentrates purchased and distributed by the feed merchants?

Mr. BOSCO: No.

Mr. DANFORTH: Then they are purchased and utilized by the millers?

Mr. BOSCO: By the mills, yes.

Mr. DANFORTH: Am I correct in that?

Mr. BOSCO: Yes.

Mr. DANFORTH: We have a price given here of a variance of \$5.50 to \$7.50 per hundredweight on concentrates.

Mr. BOSCO: That is correct.

Mr. DANFORTH: Then the price given here of \$3.45 to \$3.85 is directly proportionate to the \$7.50 and \$5.50 variance?

Mr. BOSCO: This is the cost price of the mixture.

Mr. DANFORTH: I am quite familiar with that mixture phase of it. What I am trying to determine is this. How does the miller purchase concentrate? How does he purchase it? in bulk?

Mr. BOSCO: He buys it in bulk or in sacks from the renderers. He buys it from Canada Packers; he buys from the Cooperative Fédérée.

Mr. DANFORTH: He buys in quantity?

Mr. BOSCO: In quantity.

Mr. DANFORTH: Then he can buy a supply to have on hand whenever the market is most advantageous to him? Am I correct in this?

Mr. BOSCO: That is correct, yes.

Mr. DANFORTH: Then it does not necessarily cost him \$7.50?

Mr. BOSCO: It costs him as much because the price does not fluctuate much, you know.

Mr. DANFORTH: You say the price does not fluctuate much, but we have a fluctuation here.

Mr. BOSCO: It depends on the type of supplement.

Mr. DANFORTH: I quite appreciate that—between animal and mineral, I am quite familiar with that. However, the price to the miller fluctuates between \$5.50 and \$7.50.

Mr. BOSCO: Excuse me. For dairy feed the protein mineral supplement is cheaper because it does not contain animal protein, which is considerably higher.

Mr. DANFORTH: I understand that, but I know I can purchase minerals and supplement for hogs and the price to me will vary from \$5.50 to \$7.50. I beg to differ with the witness because I am in the business and I do have that variance. This to me is fact. Now, the miller can purchase in quantity and get a better rate from Canada Packers. Am I correct?

Mr. BOSCO: He buys from Canada Packers.

Mr. DANFORTH: Yes, or any of the other distributors, but he can buy in quantity and drive a better bargain, can he not?

Mr. BOSCO: Not to my knowledge.

Mr. DANFORTH: How, sir, can you tie in with that the fact that an ordinary feeder can go to the mill and, by quantity, can get a discount on feed or he can get a discount on feed as between a concentrate of one particular company and another.

Mr. LEVESQUE: It is only \$1 a ton difference. If he goes to the mill, he buys only two tons and then he has to pay \$1 per ton more; and after five tons it is the same as 100 tons.

Mr. DANFORTH: If he buys in bulk it will run sometimes at 10 per cent.

Mr. LEVESQUE: About \$2 per ton cheaper.

Mr. DANFORTH: If he does not buy it and the miller distributes this in the bag, this is an additional 10 per cent profit for the miller, is it not?

Mr. BOSCO: I do not understand that.

Mr. LEVESQUE: Will you repeat that?

Mr. CORDEAU: No, that is not right.

Mr. DANFORTH: Depending on the way the actual concentrate is bought.

Mr. CORDEAU: We are buying all our supplements in bulk and our basis is on the bulk price; that is all.

Mr. DANFORTH: In other words, are you trying to tell me that you sell as you buy? Are you trying to tell me that there is no mark-up?

Mr. CORDEAU: Plus the mark-up.

Mr. DANFORTH: That is what I am interested in—the mark-up.

Mr. CORDEAU: But we do not make a profit between the bulk price and the bag price when we buy supplement.

Mr. DANFORTH: Do you charge for the bags.

Mr. CORDEAU: We have the price of the bag, sure.

Mr. DANFORTH: That is the difference in the price?

Mr. CORDEAU: In our case we deliver almost 90 per cent of the complete feed in bulk to the farmers.

Mr. DANFORTH: I would like to get into that further but, Mr. Chairman I will not take up any more of the time on that line of questioning because I am sure other gentlemen would like to deal with that segment. I will deal with this other segment and then I will pass.

There is a difference, we are told, in the shipping rates between midsummer and now, and in the amount of cost which is included in the laid down price in Montreal, that is, a difference of between \$2.31 and \$2.50, which were figures given by you gentlemen on a particular day, December 12. Is it not a fact that the asking price by the feed merchants in Montreal is not lower than the actual cost at the lake shipment? In other words, if the feed merchant was able to lay in grain at \$2.35, and another feed merchant was able to lay in grain only at \$2.45, then there is a mark-up and the price is not directly proportionate to the \$2.31 price. In other words, if I may rephrase my question: does feed merchant "A" pass on to the miller and thus to the feeder the difference in the price which we have seen in the actual cost for transportation, or is there an additional profit to the miller who bought his grain earlier?

Mr. Bosco: Most wholesale feed merchants when they have a chance to get cheap freight rates, phone their customers and cover them for immediate shipment in the winter months. When the freight rates go higher, then they charge for the higher freight rates. Eighty-five percent of feed mills in the country made a very nice paper profit because they saw, in summer, that the water rates were the lowest they had ever seen. You could ship a bushel of oats for five cents from the lakehead to Montreal. However, the wheat producer is a very capable manager. Suddenly they are the only people who knew of the big deal to Russia. They booked 80 million bushels of freight, which was practically all there was left in the last three months before the freeze-up, at nine cents, with the result that the few people in the east who had not bought their grain before then had to pay the higher freight rate which the shipping companies asked.

Mr. DANFORTH: Following up that last question, when the freight rates are cheap—I cannot quite get this through my head—when the freight rates do the millers purchase this feed through the grain merchants?

Mr. Bosco: Of course.

Mr. DANFORTH: The grain is in the hands of the millers and not in the hands of the grain merchants as of today?

Mr. Bosco: Not immediately; you mean that the merchant brings the grain down and stores it in the elevator and then ships it out?

Mr. DANFORTH: Let us say that miller "A" has purchased X thousand bushels at a price on a particular day, at a price that the feed millers understand.

Mr. Bosco: That is right.

Mr. DANFORTH: What is the factor which controls the retail price of the feed miller? Is it the availability of competitive grain at the particular time that he is making a sale?

Mr. Bosco: Are you talking about ground grain delivered to farmers as balanced rations?

Mr. DANFORTH: Yes.

Mr. Bosco: The price is decided through competition. There is not a single village in Quebec which does not have either a co-operative or a feed mill. So the feed miller cannot sell at a price which is higher than that of the co-operative, or vice versa; if the feed miller reduces his price, then the co-operative has to follow. This is one of the advantages of free enterprise and free competition. Frankly, sitting right next to me is Mr. Cordeau who is one of the most modern and efficient feed millers I have seen in years. I cannot understand how he makes a profit by delivering to hog feeders, but Mr. Vincent will bear me out.



Mr. DANFORTH: Let us get back to \$3.45. By the purchase of cheap grain at \$7.50, then at \$3.45 there would not be a \$7.50 price for concentrates unless there was a particularly good price on the grain. Was it the \$3.45 price, or was it something other than \$7.50 per 100 on the concentrates. Is there not a very specific mark-up on the concentrates, if they sell the grain at cost?

Mr. BOSCO: Most of the concentrate ingredients come from abroad. Most of the soybean, which is a protein feed, is imported from the United States and it has to be delivered to the feed miller, let us say, at Quebec, at about \$1.50. Yet a year or two ago the price was \$1.04. And the same thing happened with the price of wheat meal and other grains. It "upped" considerably.

Mr. DANFORTH: Over a period of time these prices vary. It is not the price of the concentrate, but the finished feed, which causes it?

Mr. BOSCO: Yes.

Mr. DANFORTH: This price does not remain at \$3.45. And if there is an increase in soybean meal, up goes the price to the farmer.

Mr. BOSCO: Yes, certainly.

Mr. DANFORTH: So there must be a substantial profit on the concentrate itself.

Mr. CORDEAU: No, sir, because we sell it for what we pay for it.

Mr. BOSCO: If the protein supplement goes higher, of course this means you have to raise the price for the balanced ration. But if the protein supplement goes lower, he will reduce it.

Mr. DANFORTH: I understand that. That is business practice. But the fact remains that he still is making a 25 per cent profit, and he still has to make his mark-up.

Mr. BOSCO: Of course.

Mr. DANFORTH: His mark-up does not follow because he raises his price accordingly to the farmer. But I will not take up any more time at this point.

The CHAIRMAN: Mr. Nasserden?

Mr. NASSERDEN: Actually, while you call yourself a farmers' agricultural protective association, you do not directly represent farmers. You represent the feed mills.

Mr. BOSCO: We are feed millers, and feed millers represent the farmers.

Mr. LEVESQUE: We are an organization which tries to help the farmers to make a little money with which to pay their bills. Moreover, if the farmers make money, we are going to live.

Mr. NASSERDEN: You said some time ago that possibly one third of the sales of oats and barley are made from western grain. How does the price for what you buy from the eastern growers compare to what you buy from the western growers?

Mr. BOSCO: I have never paid less than the eastern price; and particularly in Quebec where the quality is inferior. The lowest price I believe was around \$2.10.

Mr. LEVESQUE: And you have to keep it for three months before you use it.

Mr. BOSCO: And you have to bring it to the public elevator.

Mr. NASSERDEN: Do you sell directly to the farmer or to other retailers?

Mr. BOSCO: We sell to other farmers.

Mr. NASSERDEN: Do you sell to retailers as well?

Mr. LEVESQUE: We sell mostly direct to farmers.

Mr. NASSERDEN: What would be the average size of an order that you would get?

Mr. LEVESQUE: It depends on how we bill them. We have to bill farmers these days. If we want to do business, we have to see the farmers and say, "You have to have more chickens, more hogs and so on". Today we lose \$4 a piece on every hog he has.

Mr. NASSERDEN: What I am interested in finding out is what kind of transaction this is. Do you use tons?

Mr. LEVESQUE: We have customers for five or eight tons at a time.

Mr. NASSERDEN: Are there many that take less than that?

Mr. LEVESQUE: One gentleman here mentioned he sold oats at \$3 a bag. We do not sell much wheat. We sell good quality grain.

Mr. NASSERDEN: I am not questioning the quality of grain or the quantity. What I wanted to know is what percentage of your output goes to customers who take less than five tons?

Mr. LEVESQUE: We have to accept two tons just the same.

Mr. NASSERDEN: What percentage of your customers would take less than that? What percentage of your output would go for less than that?

Mr. CORDEAU: Thirty per cent.

Mr. BOSCO: Most of them take 10 or 20 tons at a time, or even five tons at a time. Let us say a man who has pigs does not take feed all at once, he takes it gradually.

Mr. LEVESQUE: We have starvation farmers at home and we have to help all of them. We give them plenty.

Mr. NASSERDEN: What I am trying to get at is the following; to my way of thinking and this may not be the way you are looking at it in your brief, a man who has 200 hogs is in a little different position from a man who has 20. What I am trying to find out is whether there is any difference in the price between a fellow who takes a few 100 pound bags and the one who takes 20 tons.

Mr. BOSCO: The price is the same because the farmers in rural areas talk together and know the price which the feed mill or the co-operative is charging.

Mr. LEVESQUE: The price is so low that we cannot charge any more to the poor ones.

The CHAIRMAN: May I interject here for a moment and ask for the co-operation of the witnesses? It is a bit difficult, not only for the committee but also for our reporter, if there are two or three witnesses interjecting on one question. If you will help us, I will ask you to determine who is the best qualified to answer the question and to do it in that manner if you can. If another witness wishes to supplement the answer, he could indicate to me that he would like to do so and I will assure him an opportunity. Would you put your question again, Mr. Nasserden?

Mr. NASSERDEN: Do you make a special charge for present sales?

Mr. LEVESQUE: We do not charge any more. Sometimes we have to wait until the farmer sells his pigs before we get the money.

Mr. NASSERDEN: Is there interest charged on the unpaid balance?

Mr. LEVESQUE: No, we cannot charge them interest because the average farmer has not the money and there is no use charging him interest.

Mr. NASSERDEN: Have there been any substantial losses?

Mr. LEVESQUE: The loss would be of the order of 25 per cent.

Mr. NASSERDEN: Then what do you consider profit in your operations? You say there is a loss of 25 per cent; 25 per cent of what?

Mr. LEVESQUE: Of what is owing to us. I do not think it is quite that much, myself. I would say 20 per cent. There is going to be a loss of 20 per cent on what the farmers can pay.

Mr. NASSERDEN: I am trying to find out on what is the 25 per cent lost, on your total sales on credit?

Mr. LEVESQUE: Yes.

Mr. NASSERDEN: What percentage of your sales would be for cash?

Mr. LEVESQUE: Ten per cent, or five per cent.

Mr. NASSERDEN: How do you run a business?

Mr. LEVESQUE: I do not know.

Mr. NASSERDEN: I do not want to sound as though I am making light of it but we hear from some members and from the press as well that there is a wide fluctuation in the price that is charged to the farmer at certain times of the year. Is that so, and if so what is the reason for these fluctuations?

Mr. LEVESQUE: You mean on feed prices? Not very much fluctuation. We keep our price pretty well level. We do a lot of buying. We know the business, and when it is time to buy the feed we try to give the benefit to the farmers. That is our job. We cannot work without the farmers.

Mr. NASSERDEN: The only other thing on which I wish to make an observation is that I was glad to see they indicated the western grain was not the chief contributing factor in the cost of the prepared feeds. There were some other things in the brief with which I am not sure I could go along.

The CHAIRMAN: Next on my list is Mr. Gauthier, and then Mr. Matheson.

Mr. GAUTHIER (*Interpretation*): Mr. Chairman, first of all I would like to come back to a supplementary question on balanced rations. The previous speaker has suggested that feed grains were not the cause of the overcharging which we noticed in Quebec, that it was rather the added ingredients. On page seven of the French text you say that only 50 to 60 per cent of the feed grains is composed of oats and barley, and the rest is corn, soya and so on, as well as other supplements of protein and other minerals.

My question is addressed to Mr. Bosco. If we were to compare the prices paid for the same balanced rations, people in the west feed their animals with the same feed as in the east. If you say that in the east it is not the feed grains which cost a great deal, neither do they cost the western farmer a great deal. On the other hand, we claim that the ingredients which are added to the feed cost much more in the east than in the west because in the east they have to be imported. If 25 or 30 per cent is added to the feed, it is certain that it would cost the western farmer as much as the eastern farmer because the western farmer has to import soya, minerals, and so on. Where do you place this difference in the cost of animal production feed in the east as compared to the west? That is my first question.

Mr. BOSCO (*Interpretation*): According to my information, the price of balanced rations in the west is approximately the same as in the east. There is not a great deal of difference. It is approximately the same so far as fowl is concerned, that is the price is \$4 to \$4.60. There is no difference. This is very easy to say. It is the transportation of grain from Fort William to the Gaspe, or as far as the mill, which costs the farmers nothing. In the presence of Mr. Phillips I did not want to say that it cost less for water transportation until the month of September and the grain sale to Russia. Water transportation then was less than the subsidy received. For instance, the transportation of grain from Fort William to Montreal costs approximately \$3.50 to \$4 a ton; whereas there is a subsidy of \$25 a ton. Transportation from Montreal to final destination is paid for by subsidies. This costs the government approximately \$18 million a year.



You see, there is not a great deal of difference between the price of grain in the west and in the east sold by the millers. Neither do I think there is a great deal of difference between the supplements in the west and in the east, because there is a great deal more slaughtering in the west than in the east, and consequently the meat supplement in the flour, and so on, is a little less costly than in the east. In general, production of animals in the west and in the east approximately is the same.

Mr. GAUTHIER (*Interpretation*): You say that animal production in the east costs the same as in the west?

Mr. BOSCO (*Interpretation*): Delivered price. If hogs or eggs are produced in Saskatchewan, for instance, the cost of production is lower, but if these products are shipped to the east, the cost to the shipper of the meat or eggs is the same, and perhaps a little more costly.

Mr. GAUTHIER (*Interpretation*): That is to say, if we compare the westerners to the eastern farmers, they also are producing at a loss if their mixed grain costs the same. You just said it costs the same in the west as in the east.

Mr. BOSCO (*Interpretation*): There is very little difference. There is one great difference, however; that is, the millers are not obliged to purchase the grain from the wheat board in the east. They can purchase it from other farmers in their province, and since the wheat board cannot take oats and barley immediately the price is lower and this is the only advantage which the western feeders have.

Mr. GAUTHIER (*Interpretation*): A little while ago you said this was not the difference.

Mr. BOSCO (*Interpretation*): In the surplus districts the grain is less costly.

The CHAIRMAN: Mr. Levesque has indicated he has a comment.

Mr. LEVESQUE (*Interpretation*): This is what happens; they do not use as many concentrates. They produce their own grain and use it for feeding without concentrates. That is the reason it costs them less.

Mr. NASSERDEN: I think this should be cleared up. The statement has been made that you can produce cheaper in western Canada, and that they do not use the concentrates. I think both those statements are not factual. It would depend on the size of the operation in western Canada, whether they can produce as cheaply as in eastern Canada. I believe they use just as many concentrates in their feed mix in western Canada as in eastern Canada, if they want to have a balanced feed ration for their livestock.

The CHAIRMAN: Mr. Gauthier and Mr. Nasserden, Mr. Phillips has some figures which I think will assist in the line of questioning. Might I call on Mr. Phillips to explain briefly the table he has, and then if the committee agrees we might have it appended to today's Minutes of Proceedings and Evidence.

Suggestion agreed to.

Mr. C. R. PHILLIPS (*Director, Plant Products Division, Department of Agriculture*): Mr. Chairman, Mr. Gauthier was inquiring with reference to the difference between western Canada and eastern Canada in respect of the prices of mixed feeds—prepared feeds. The dominion bureau of statistics have a release showing retail prices. It shows the range of prices for a particular feed. Let us take dairy ration at 16 per cent as an example. This publication is dated November 14 and relates to retail prices as of October 1. I believe there is a more up to date issue, but this will serve as an example. The range of prices in the prairie provinces for dairy products is between \$3.10 and \$4.45 per 100 pounds. In Quebec for the same feed the range is \$3.10 to \$4.40

The CHAIRMAN: I think you have sufficiently identified this document. We now might have it appended to the proceedings. I think that will clear up a great deal of the questioning of Mr. Gauthier. Is there anything further before we move on to Mr. Matheson?

Mr. GAUTHIER (*Interpretation*): I do not have anything further on the same subject, but I do have on another subject. I do not know to whom to direct the question, but, first of all, on page 5 of the French text you say that the eastern millers have tried to help the farmers by long term credit so as to maintain production of hogs and fowl. You are an organization dealing with grains and mixed feed, and therefore you are a commercial undertaking; that is, you are a private organization with a commercial purpose. You make long term loans. You say you help the agricultural class. My opinion is you cannot say this, because you deal with only 10 per cent of the farm class.

Mr. LEVESQUE (*Interpretation*): Seventy-five per cent.

Mr. GAUTHIER (*Interpretation*): You are saying that in fact you protect the farm class; but this is the protection which, for instance, a finance company gives to its clients, if I understand this correctly.

The CHAIRMAN: Mr. Gauthier I do not want to interfere with the activities of the committee, but you have made a statement of opinion, and I am wondering whether you can move on quickly to a question which you would like to present to the witnesses.

Mr. GAUTHIER (*Interpretation*): The question is whether or not the farmer feels protected, and whether he is protected when the farms have been divided into family farms, and the others. There are two types of farms; there are family farms and the commercial farms. You are going to protect the commercial farmer by building him a henhouse; then you sell the feed to him and say this is fine, and you give him an administrative procedure; but in the final analysis you conduct his life. Is that not so?

Mr. LEVESQUE (*Interpretation*): Not necessarily. We have competition. I live in a region where we have the largest co-operative in the province of Quebec. I have always met their prices; I have to meet them. We are doing what we are for farmers because we have to. If he wants to sell his chickens or hogs, what are we going to do? We have to arrive at something. We have to help these farmers and work with them. If we do not help them, where are we going? If we do not help them where are we going to end up? It has been said today that a farmer will make a profit on hogs. Now, I have raised hogs in the past and 20 years ago I was not guaranteed a profit on hogs. I think we have to help the farmer as far as we are able.

The CHAIRMAN: Gentlemen, we agreed to sit until 1 o'clock. I have six names of members who have indicated they have a line of questioning and I want to apportion the time as fairly as I can. Next is Mr. Matheson followed by Mr. Vincent.

Mr. GAUTHIER (*Interpretation*): I have one small question, if I may put it now, Mr. Chairman. Do you have your own agency or your own seat at the Winnipeg Grain Exchange?

Mr. LEVESQUE (*Interpretation*): No.

The CHAIRMAN: Now, you have an answer to your question.

Mr. LEVESQUE (*Interpretation*): We have no undertaking with any brokers. We do not want an organization which favours the brokers. However, our brokers are ready to have their books examined and they are ready to work for \$1 a ton to sell our grain. I think this is reasonable. I think this has some importance and I am satisfied with it. Mr. Bosco is here and he can comment further on that.

The CHAIRMAN: I think we have the answer to the question. I will have to ask for your co-operation so that we can move along.

Mr. MATHESON: Mr. Chairman, I have a series of short questions and I will try to come right to the point.

Mr. PIGEON: How many series of questions have you?

Mr. MATHESON: They cover one point.

Mr. Blanchard, I have belonged to the association for the development and protection of eastern agriculture for two years, believing I belonged to a farm group. I would like you to tell me how many paid up farmers there are in this group in 1963?

The CHAIRMAN: I think before you came in, Mr. Matheson, we had dealt with that question.

Mr. MATHESON: Yes, we dealt with it twice. If you rule my question redundant I will withdraw it. However, I am very angry by the fact we come here today and we have questions addressed to the representatives of the grain business which are answered by Mr. Blanchard, presumably the secretary of the association for the development and protection of eastern agriculture. Other questions were directed in respect of assistance to the farmer and these were answered by Mr. Bower and Mr. Bosco. I would like to know who it is that has come here today and of what the organization consists?

The CHAIRMAN: Well, I think that is a very relevant question. However, I think we dealt with the number of farmers in an earlier question, and this answer will be found in the evidence of these proceedings.

Mr. MATHESON: How many paid up farmers did you have in 1963?

The CHAIRMAN: I think the answer was about 10 per cent.

Mr. MATHESON: That does not tell us anything. Surely the secretary can tell us how many paid up memberships there are.

The CHAIRMAN: The secretary can answer that question.

Mr. BLANCHARD (*Interpretation*): Thank you, sir. We could not claim that there are only organizations which represent agriculture here but, if you wish the membership to appear before you, we could bring 25,000 members. We can do that, and we would be willing to come back with 30,000 or 40,000 the next time.

The CHAIRMAN: The question was how many farm members had paid up memberships in 1963. If we had that information we could move on to the next question.

Mr. BLANCHARD (*Interpretation*): What we have pointed out is that we can no longer establish in the present policy who is a farmer and what are the standards to establish the personality of a farmer. We are dealing here with agricultural production.

Mr. MATHESON: How many paid up members in 1963 were farmers?

The CHAIRMAN: We have not had that answered; can you give us a specific number; alternatively, I think we will have to leave it to the committee to make their own deduction from the evidence before the committee.

Mr. BLANCHARD (*Interpretation*): We gave 10 per cent as a figure at the beginning of farmers who farmed and who buy feed grains and are members of our association; 165 members.

Mr. MATHESON: I take it that this association recognizes the appointment of an associate minister of agriculture, which was promised in the speech from the Throne, a new committee consisting of six feed groups who will meet every three months with the government and express their views, subsidies



if and when necessary, and powerful and extensive propaganda by the government to aid in promoting the consumption and increased demands.

Does the association for the development and protection of eastern agriculture come here to this committee with any other specific recommendation for us to consider other than these quoted in the final page 7 of your report?

Mr. BLANCHARD (*Interpretation*): We have heard of the feed banks; we are opposed to the creation of a feed bank. We propose a preliminary study by all employees and groups interested in agriculture in the east before imposing this government created creature. If it is a measure which is to be adopted in the house we are opposed to it, and we have given the reason why we are opposed to the establishment of the feed bank.

Mr. MATHESON: In conclusion, may I ask Mr. Blanchard if it is not a fair assumption of this committee to conclude that the association for the development and protection of eastern agriculture and the interests of Bosco and Bower Limited are precisely and exactly the same, and that actually one association is simply a name for the other.

The INTERPRETER: The interpreter apologizes but the microphone is not open.

The CHAIRMAN: The microphone is not open.

The INTERPRETER: It is still not open.

Mr. BLANCHARD (*French*)

(*Interpretation*):—but the situation is all we know about.

However, the situation allows us to conclude that all sectors are equally interested in the renewal of agriculture in the east, and I refer to all sectors whether they be trade merchants or millers, United States firms, which are very active in our area, or farmers. We claim that the individual who is still most interested in the situation is the farmer who is on his family farm and today should not leave the farm in order to go and glut the labour market, because at the present time he does not have too much education and would be unable to understand the technical system which will allow him to be integrated through urban techniques.

Mr. PIGEON: Mr. Chairman, on a point of order. I would appreciate it if this witness would give brief answers rather than making speeches each time.

Mr. MATHESON: Perhaps I could assist the Chairman and the witness by asking Mr. Blanchard specifically whether the Association for the Development and Protection of Eastern Canadian Agriculture Incorporated receives income for its costs from Bosco and Bower Limited and, indeed, whether the secretary in any way is dependent upon Bosco and Bower Limited for income?

Mr. BLANCHARD: Mr. Chairman, I think I will refer this question to Mr. Bosco.

Mr. Bosco: I am not the only grain merchant who is a member of this association. Many other grain merchants are also members. I think the aims of the association are not well understood.

The CHAIRMAN: Mr. Bosco, if I could intervene, would you answer these specific questions or indicate that you do not wish to give an answer?

Mr. Bosco: I have stated that I have no personal interest at all because I am a grain merchant.

Mr. MATHESON: Perhaps I could ask Mr. Bosco who the other grain merchants are that belong to the Association for the Development and Protection of Eastern Canadian Agriculture Incorporated and how they collectively contribute to the maintenance and support of the association?

Mr. BOSCO: They contribute normal fees in the same manner as other farmers in Quebec, and I think there are 14 in Quebec.

Mr. MATHESON: Thank you.

Mr. VINCENT: Mr. Chairman, I will ask my questions in French. I will go very slowly to permit our translators to do the good job they usually do. My first question is the following.

(*Interpretation*): In your opinion with the system of selling that we have at the present time and that we have had for several years, is there a certain stability in the price of grain sold in eastern Canada, yes, or no?

Mr. BOSCO (*Interpretation*): Yes.

Mr. VINCENT (*Interpretation*): In 1962 the price of oats paid by the miller was \$2.35 per 100 weight, and the price of barley was \$2.47 per 100 weight. In January, 1963, the price of oats was \$2.73½ per 100 weight and the price of barley was \$3.02 per 100 weight. In May of 1963, this year, the same merchant paid \$2.37½ per 100 weight for oats and \$2.41½ for barley. Are those prices true?

Mr. BOSCO (*Interpretation*): Not completely.

Mr. VINCENT (*Interpretation*): Therefore, within a period of a few months there is a differential of approximately 50 cents per 100 weight on grain prices?

Mr. BOSCO (*Interpretation*): Only in the winter, usually in January and February. If the prices at the beginning of the year are maintained by the Canadian wheat board and the price of oats is 77 cents or 78 cents there is practically no change. After the sale of wheat to Russia the prices increased, and the prices in general we can see are stable and will remain that way this winter. In the winter there is a different situation. There may be a shortage of grain. Some have enough but others do not have enough. It was not the grain merchants who were asking for most of the increase, it resulted from the feeders who had a surplus and sold it at a higher price in order to profit.

Mr. VINCENT (*Interpretation*): This year in September the millers and co-operatives could purchase oats for \$2.29½ per 100 weight delivered and in April at \$2.23½ per 100 weight. The price of oats was \$2.35 per hundredweight and barley \$2.27 per hundredweight. Are you saying that these prices will not have a tendency to rise by 40 or 50 cents per hundredweight during the coming months?

Mr. BOSCO: The price may change. First of all, we must add storage to the winter prices until the end of April. We have to add to the price of the cost of storage.

Mr. VINCENT (*Interpretation*): At the present time, the cost of storage is paid and last year it was not paid.

Mr. BOSCO (*Interpretation*): October 15, or November 15, no; it will start this year, October 15, 1963. This was undoubtedly good legislation. This year the government is paying for storage which will cost no more than \$1 million and which allows the purchaser, the consumer, to get his supply when prices are low and when transportation rates are low. He can even take a little more in order not to have to depend on other sellers.

Mr. VINCENT (*Interpretation*): So far as cost of storage of grain is concerned, is this cost approximately three cents to five cents per bushel for winter periods?

Mr. BOSCO (*Interpretation*): Storage for four months is approximately seven cents a bushel. The increase we saw last year was 25 cents to 35 cents a bushel. I know people who were very satisfied and made a profit. This year this can no longer happen. There will be grain here in the east until the month of June.

Mr. VINCENT (*Interpretation*): Does a miller or a cooperative purchase oats and barley in sufficient quantity when prices are most advantageous in the fall?

Mr. BOSCO (*Interpretation*): They should.

Mr. VINCENT (*Interpretation*): To what extent does a miller or a co-operative purchase oats in September, October or November.

Mr. BOSCO (*Interpretation*): It must be bought in summer when boats can be rented at low water transportation rates and when grain is less costly also as a general rule. From my books I could show that on October 1, 1962, we sold, in advance, 1,800,000 bushels of oats and barley, and this year 4,650,000 bushels. Everyone took advantage of the opportunity of storing grain. Last year oats were \$2 per hundredweight and barley was \$2.47. There was an increase of 50 cents on a hundredweight two or three months later. In my opinion there is no stabilization of prices.

Mr. VINCENT (*Interpretation*): The question I am asking you is this: is it in the interest of the millers and co-operatives for the price to increase by 40 per cent or 50 per cent in January and February?

Mr. BOSCO (*Interpretation*): Mr. Vincent, we are completely in agreement with you that it is no sense, but it cannot happen any longer if the government continues to pay storage.

Mr. VINCENT (*Interpretation*): But storage is only five or seven cents per bushel, is it not?

Mr. BOSCO (*Interpretation*): It is not the quantity. It might happen, for example, that a large merchant like Mr. Levesque would raise 100,000 and decide he wants to have 200,000. During the winter, navigation has closed and he has to purchase from others. It is no longer necessary now because he can have grain for 200,000 chicks and he will lose nothing. If he cannot use it in April 15, he can use it in May or June and it costs nothing.

Mr. VINCENT (*Interpretation*): This leads me to my last question. Would it not be possible to create an organization, without government control, for the millers and co-operatives which would be able to store oats and barley and then resell it at a stable price to the millers during the winter period. I do not want to say that the government should control it, but the millers and co-operatives could organize together and purchase directly from the Canadian wheat board the oats and barley they need during the four or five or six months period.

Mr. BOSCO (*Interpretation*): Mr. Vincent, you are quite right, but this applies for the year 1962, and not this year. This winter and in the winters to come, each winter there will be a surplus of grain and thus the prices cannot rise in the east. I can say, for instance, that in Montreal there will be at least two million bushels surplus of oats and barley and in Quebec one million, at a normal price.

Mr. RICARD: Mr. Vincent asked you a question. Will you answer it please?

Mr. BOSCO: I did.

Mr. RICARD: No.

Mr. BOSCO: It had a great deal of sense last year but it has no sense this year.

Mr. RICARD: In other words, you are not in favour of an agency to purchase from the great lakes and transfer it to the province? Are you in favour or you not in favour?

Mr. BOSCO: According to my knowledge of the manufacturing of mixed feeds, it is not possible. If someone from the Co-operative Federation du Quebec wants to protect its membership and the farmers, the only thing that



is necessary is to purchase at a good price in the summertime a million bushels of oats and barley. They would be taking no chances on the price because they could take it on consignment. It is not necessary to take it outright. It is not possible to control the matter, but if for instance the Co-operative Fédérée or the United Farmers Co-operative or the Maritime Service wants to protect the farmers against a loss, all they have to do is purchase grain on consignment. They are not taking any risks.

Mr. VINCENT (*Interpretation*): My last question is one that I would like to direct to the secretary, Mr. Blanchard. On page 10 of the French text and the last page of the English text you speak of the appointment of a committee, and in the brief of the Canadian Federation of Agriculture there is mention of an advisory committee, Mr. Blanchard, and the feed grain committee which the government formed last year, and of which I think you are a member. Could it not do this work which is suggested by the Canadian Federation of Agriculture, and which is also suggested by every one of your organizations?

Mr. BLANCHARD: I believe that your question is quite right. We did put forward this proposal last year and this appointment of a liaison committee was granted. Once again we claim that this committee has always been necessary. But it seems to me that its existence could not be continued for a reason, that we will ignore, and concerning which we were unable to get any details.

We are now coming back to this proposal that a committee be established as a link between the east and the west, and at a level of the larger organizations which control grain, so as to be able to discuss matters with the Canadian Wheat Board and the larger operators.

Mr. VINCENT: From the answer you have given me you have provided me an opportunity to ask other questions. You say that this committee formed last year was absolutely necessary and essential, and that it could do excellent work. You also say that this committee no longer exists, or at least in practice, that is, in effect, in practice it no longer exists.

Mr. BLANCHARD: The government changed.

Mr. VINCENT: Can you give us reasons why it no longer exists?

Mr. BLANCHARD: I think it is impossible, sir. We have not had any explanation.

Mr. VINCENT: In the final analysis we are working to re-establish what was established last year.

Mr. BLANCHARD: Perhaps a little bit more elaborately, to be a little more representative of all sectors of agricultural production. Instead of advancing, we are going backwards.

The CHAIRMAN: Mr. Whelan is next.

Mr. LEVESQUE: I would like to state to my friend in front of me that when we decided to form this organization in the province of Quebec, we did not know too much about the technical aspects of the grain business. So I said let us find somebody who will help us to discuss this matter. We thought of Mr. Bosco as an independent man, and he said: "I am an old man and I will give my time, and perhaps I can help you." It is for this reason that he is with us today. We are buying 50 per cent of our grain from other people. That is the reason. Are you satisfied?

Mr. MATHESON: I did not question Mr. Bosco. In fact, he charmed me. He was very frank, and he established the fact that this organization was a dealer organization, and we were given the same impression. But for my part, I thought it was a farmer group.

Mr. LEVESQUE: While he was talking about the price of grain, I know one thing: Mr. Bosco issued a bulletin last fall telling all the dealers that that was the time to buy their grain because it was cheap. It was mentioned of Mr. Bosco, but of nobody else.

Mr. WHELAN: I had written out my question which was somewhat similar to that which Mr. Matheson asked. How old is the organization? How many years old is it? If it was developed to protect eastern agricultural, how many years has it been in existence?

Mr. Bosco: We just started.

Mr. WHELAN: The Bosco Bower grain merchants have been in business since 1911. Has it not been apparent to you that the condition of eastern agriculture has been gradually getting worse and worse over the years?

Mr. Bosco: Precisely, and in this respect I can tell you that I have seen the ups and downs in agriculture more than anybody else. My grandfather was a farmer in Austria-Hungary under the monarchy, and my father was a farmer, and I too have worked on a farm without the aid of horses. That was one of the reasons why this government has been so very understanding. It has sent its representatives from the wheat board to our meetings, and there has been no trouble whatsoever in the delivery of grain from the Canadian wheat board.

Mr. WHELAN: I am quite familiar with grain market procedures in Canada, and also with the feed manufacturing business, I might say. What I wanted to find out was this: you just gave me the feeling that you perhaps should have been more active, knowing the history of what has gone on in Europe, and what has gone on from seeing our eastern agriculture go backwards instead of forwards.

Mr. Bosco: I thought I might be able to help Canadian agriculture. I think I am a very lucky man because of my family life, and my independence. When you reach a certain age I feel you should try to do something to help others who are not so successful.

Mr. WHELAN: If some of us have not been so successful, it may be because we have been trying to help too many people throughout our lives. Mr. Levesque intimated to me that he was almost a Santa Claus. He said that he would write off 25 per cent of his credits this year. There is also the fact that his business is done on credit to the extent of 10 per cent. Although I do not pretend to be an expert I do claim to have enough knowledge of the feed business to believe that you must be making a tremendous mark-up if you can write off anything like 25 per cent of credit in a year.

Mr. LEVESQUE: I do my best the same as anybody else. But the way things are going now, I do not know how to continue.

Mr. WHELAN: You mean that you cannot continue in business and operate in that way?

Mr. LEVESQUE: I know. But perhaps somebody else will help us.

Mr. WHELAN: I am not sure who answered this question, whether it was Mr. Blanchard or Mr. Bower. But whoever it was used a terminology to the effect that the demands of Canadian farm associations were almost becoming communistic. I do not like this kind of language in a brief suggesting such a thing, and then pointing out what is going on in Russia. I would point out that your brief is very illogical. In some places it appears to be highly ridiculous as far as I am concerned, when you use this terminology and back it up with a statement pointing out what is going on in Russia, and then mention what a good job has been done by the Canadian wheat board on behalf of western agriculture.



I think we are here to consider what the government should do to protect the farming profession, if I may call farming a profession. We have seen them protected. I visited Europe this year and I can say that state farms are closely related to vertical integration. It is my belief that vertical integration would kill incentive for agriculture. We want to maintain that incentive. Yet I think Mr. Blanchard made it clear in his prepared statement that he did not think along this line. With respect to this brief prepared here by the farm organizations, are you not aware that the Canadian Federation of Agriculture is made up of representatives of practically every type of farming in Canada? As far as I know, in our area they represent Canadian township organizations, farm forums, and commodity groups. In fact, I know of no farm organization in Canada which is not represented here; no matter what you call them, you name it and they are represented in the Canadian Federation of Agriculture.

The CHAIRMAN: Are you moving towards a question?

Mr. PIGEON: Yes, it is time, I think.

Mr. WHELAN: I have been patient enough in waiting for the floor. But if Mr. Pigeon wants me to ask a question, I will do so.

Mr. PIGEON: I think we are here to address questions to the witnesses, not to make long speeches. Mr. Whelan is very quiet when he is in the house, and I am surprised to see him here making a speech!

The CHAIRMAN: I think Mr. Whelan is moving quickly towards a question.

Mr. WHELAN: I am trying to be constructive, not destructive. A brief was presented here and I believe we have the right to point out errors in it if we have knowledge of the present set-up in Canada and if we feel an injustice has been done by some statements made in this brief. As one closely associated with farm organizations, who spent 25 years working for the benefit of agriculture—I am only 39—I think I have a perfect right not to just sit here but to speak my mind in defence of these organizations. I am not going to say any more at this time, but I want to ask this question: do you not think we should be creating an incentive for the independent farmers in eastern Canada?

Mr. BOSCO: It is precisely the aim of this association. We do this through financing and helping them. Many farms would be out of business if some of these feed mills were to stop supplying them with the baby chicks and with the small pigs. They stay in business because of this. We give them feed on credit and the hogs are sold.

Mr. DANFORTH: Can I clarify that statement? You said something which I am at a loss to understand. Am I to understand you help the farmers by actually providing baby chicks and baby pigs on credit? Is this not integration?

The CHAIRMAN: Members can draw conclusions on the evidence. This is one of the responsibilities of the committee.

Mr. PETERS: Mr. Chairman, in a previous submission you made I believe that the organization was very much opposed to the extension of elevator facilities in eastern Canada. What was the reason for your opposition?

Mr. BOSCO: The association was never opposed, to my knowledge, to the building of an extension to the elevators. On the contrary, we had numerous discussions with the national harbours board and have asked for an increase in the space in Montreal the same as in Quebec. However, I recall that two years ago somebody wrote the story in a newspaper that elevators should be built along the St. Lawrence river, which, of course, in my opinion is absolutely impractical for the simple reason—as Mr. Phillips can bear me out—that the farmer does not pay for the transportation. Besides that, there is not enough demand for the construction of elevators at a spot where there is no export business.



Mr. PETERS: Was the association worried a year or so ago when the price did fluctuate very greatly because of the fact that there was a shortage and that even railway transportation had to be resorted to, to bring the grain to meet the demand in eastern Canada? In other words, there was a shortage created in eastern Canada several years ago for which I will not give reasons.

Mr. BOSCO: We had numerous discussions with the national harbours board and the board of grain commissioners to this effect. You have seen yourself that in spite of the unbelievably large quantities of grain for export there was no difficulty, and sufficient space was reserved in all ports. There is plenty of space and far too much grain.

Mr. PETERS: Will this have an effect on the stabilization?

Mr. BOSCO: In the previous years this association protested against giving too much preference to export grain, but since they established contact with the Canadian wheat board and the national harbours board it has worked very smoothly.

Mr. PETERS: Without increasing our storage space?

Mr. BOSCO: We have quite a lot of storage space. With the increase of elevators, it is sufficient in Quebec and in Montreal. They are now building increased elevator space in Quebec for three million bushels.

Mr. PETERS: Will this have a tendency to stabilize prices this year?

Mr. BOSCO: I understand there is something being done to prevent inflation; that is what the wheat board is here for.

Mr. PETERS: Will the increased storage facilities and the establishment in eastern Canadian points of sufficient quantities this year have the effect of stabilizing prices?

Mr. BOSCO: Absolutely; it cannot go up. However, what the wheat board is going to do next year, nobody knows.

Mr. PETERS: I would imagine there is a normal mark-up in sales from the feed grain agencies. May I ask how much is the normal mark-up in a feed mill?

Mr. BOSCO: You are speaking about the grain?

Mr. PETERS: The mixing operation; the establishment of chick starter, pig starter, and so on.

Mr. BOSCO: The answer is that all the members of this association sell balanced rations the same as do the big flour mills. They sell them at at least a dollar a bag cheaper than some of the big companies.

Mr. PETERS: May I ask one of the operators what a reasonable mark-up is?

Mr. LEVESQUE: Around \$5 or \$6 a ton. Our net profit over ten years is about 1.7 or 1.2 per cent.

Mr. PETERS: If a co-operative, for instance, had a customer on this vertical integration plan, it would be worked out on the basis of a bank loan, and this loan would be separated for that customer from the normal sales. If a customer comes in and wants to pay cash, there is one price.

Mr. LEVESQUE: Yes

Mr. PETERS: As I understand it, in your operation there is no difference whether he pays cash or buys it on credit. However, you do not give the farmer credit for nothing. You write this off across the board.

Mr. LEVESQUE: No. It is 2 per cent cash.

Mr. PETERS: You have a 2 per cent discount for cash?

Mr. LEVESQUE: Yes, at the mill.

Mr. PETERS: Your list prices today would be on a cash basis?

Mr. BOSCO: There is no more cash payment. Farmers do not pay in cash.

Mr. PETERS: In my area some of the farmers pay in cash. In my opinion 30 days is cash. In the dairy industry most farmers pay at the end of the month.

Mr. BOSCO: The feed mills are obliged to take the grain on credit from the wholesale grain merchants. They try to help the farmers as much as possible.

Mr. LEVESQUE: In the dairy business you get more in cash, but in pork and poultry you have to wait until they sell their products before you get the money. It is six months in the case of hogs and three months in the case of broilers.

Mr. PETERS: In the grocery business, credit sometimes costs as much as 140 per cent for a year. If you are saying your 2 per cent is on the basis of a monthly account, it will work out to at least 25 per cent, and probably more. Somebody pays this. I presume you are a broker. Who carries the credit?

Mr. BOSCO: I carry it myself.

Mr. PETERS: Then you have \$8 million invested here somewhere.

Mr. BOSCO: I have a little money of my own. I borrow from the bank and when I invoice the grain to the feed mills I charge 6 per cent interest, but the bank is charging it too.

Mr. PETERS: If you bought the grain on the futures market for sale six months hence, there would be considerable interest charged?

Mr. BOSCO: No. We can charge the interest only after the grain arrives in the east and is stored in Montreal or Quebec to the account of the buyers. If we buy grain now for October delivery, there are no interest charges at all. We have to pay cash to the wheat board.

Mr. PETERS: I suppose you are Blanchard Feeds?

Mr. BLANCHARD: Yes.

Mr. PETERS: What would be your over-all advertising costs? There would be costs in respect of the advertising and your salesmen.

Mr. BLANCHARD: Absolutely not.

Mr. PETERS: You advertise?

Mr. BLANCHARD: We have a technical service. It is done by service and by technical service.

The CHAIRMAN: Gentlemen, we are moving along well. It is almost one o'clock. I will reassess our position. Mr. Watson and Mr. Loney are next on the first round, and Mr. Matte and Mr. Pigeon have indicated they would like to ask supplementary questions if there is time. However, I do not wish to infringe on the time of Mr. Watson and Mr. Loney.

Mr. WATSON (*Assiniboia*): I believe possibly most of my questions have been answered. There was one question in respect of the membership of the association for the development and protection of eastern agriculture. I understand there was a figure mentioned of 165. Is this the total membership, or is it the farmer membership in this association?

Mr. BLANCHARD: The total membership.

Mr. WATSON (*Assiniboia*): Would the total number of farmers actually involved in this organization be only 16?

Mr. BLANCHARD: Yes.

Mr. WATSON (*Assiniboia*): Would these farmers be shareholders in the feed mill companies, or the group which is represented here today?

Mr. BOWER: No.

Mr. WATSON (*Assiniboia*): I believe it was Mr. Blanchard who previously, in his opening remarks, referred to parasite groups; what groups or organizations were you thinking of when you mentioned that word?

Mr. BLANCHARD (*Interpretation*): I suppose groups who would be established which would be a great burden on the agriculture economy, for instance the feed bank. Agriculture is having enough difficulty financially at the present time that we do not want to have other costly organizations created which will only remove some profit from farm products.

Mr. WATSON (*Assiniboia*): Another question came up in respect of the size of a farm, in Quebec. I wonder, for the benefit of those from the west how many acres would be involved in the case of a small farm in Quebec?

Mr. BOSCO (*Interpretation*): It depends on the land. If it is a good farming area such as St. Hyacinthe and surrounding district I would say it would be of the order of 120 or 150 acres. But, farther away, say in the Gaspé coast area or along the south shore these farms would be at least 200 or 300 acres. It is mostly grazing land and you cannot grow much grain in those areas.

Mr. WATSON (*Assiniboia*): A few minutes ago Mr. Bosco referred to the feed grain in the east; did I understand him to say there was far too much grain in storage in the east?

Mr. BOSCO (*Interpretation*): There is more than necessary. Mr. Phillips might have the figures for the grain stored in Quebec and Montreal. As you know, there is an exact record kept by the national harbours board, showing the type of grain, the grade and so on, and it is easy to judge that there is far too much grain.

Mr. WATSON (*Assiniboia*): Who is going to derive the revenue from the amount of grain which is stored?

Mr. BOSCO (*Interpretation*): The national harbours board stores it, and if there is more grain this year than last year no one is going to lose because of the crop failures which may occur in many other countries. So, if the private feed mills have too much grain they can use it up in the months of April, May and June, and it does not cost them anything for storage.

Mr. LONEY: I would like to direct my question to Mr. Levesque.

Mr. Levesque, you stated previously you dealt exclusively with farmers and in respect of this farm trade you say you were going to lose 25 per cent?

Mr. LEVESQUE (*Interpretation*): In respect of outstanding accounts.

Mr. LONEY: Would you clarify this. You said you are going to write off 25 per cent this year; is this in respect of all your outstanding accounts?

Mr. LEVESQUE: Yes.

Mr. LONEY: Not 25 per cent of your total?

Mr. LEVESQUE (*Interpretation*): No. We never know what is going to happen at the end of the year. For example, last year everyone made money on hogs, with the exception of one farmer who lost \$1,500. As I say, we never know until the end of the year what the situation is going to be.

Mr. LONEY: Could you tell me what percentage of your business is done on contract?

Mr. LEVESQUE (*Interpretation*): We have no contracts at all with any farmers. We back up our word. We work with our farmers and they have confidence in us.

Mr. LONEY: Do you supply hogs?

Mr. LEVESQUE (*Interpretation*): We supply the little pigs and the feed.

Mr. LONEY: Without contract?



Mr. LEVESQUE (*Interpretation*): Without contract. I do not think there are too many in the country who would do that. But, I can tell you there is no contract, just our word. When you deal with a farmer for 20 years you know him. But, it is possible you may have some bad luck. However, we know where we are going.

Mr. LONEY: What I am getting at is you are supplying the feed and the chicks or hogs and you are concerned about the welfare of the farmer. If there is a 25 per cent write off the 25 per cent is your loss, not the farmers.

Mr. LEVESQUE (*Interpretation*): It is my loss.

Mr. LONEY: Then, you are concerned with the protection of your investment in respect of eastern Canadian agriculture?

Mr. Bosco (*Interpretation*): Of course. If the farmer is doing well the feed mill is doing well.

Mr. LONEY: I submit that this is an association for the development and protection of your investment in eastern Canadian agriculture.

Mr. LEVESQUE (*Interpretation*): Well, yes.

The CHAIRMAN: Could I ask one or two questions to clarify the evidence? I think it is important for the committee to have this evidence on the record because this was not covered in the initial evidence. When you say you will write off 25 per cent of your outstanding accounts would you clarify that in terms of your total credit business. For example in the year 1963, how much of your total credit business will you write off? That is the information the committee needs.

Mr. PETERS: Would it be one per cent?

Mr. LEVESQUE: About that.

The CHAIRMAN: When you said 25 per cent you were referring to accounts that had passed a certain stage of collectibility.

Mr. LEVESQUE: Yes.

Mr. LONEY: I have a supplementary question. How many members do you have in your association from outside the province of Quebec?

Mr. LEVESQUE: Five per cent.

Mr. LONEY: Would this constitute a farmers' or mill interest?

The CHAIRMAN: It is five minutes after one o'clock. Mr. Pigeon has indicated that he has one further short question.

Mr. PIGEON: I have only one question.

Mr. RICARD: Do we meet again this afternoon?

The CHAIRMAN: Gentlemen, before we leave I should like to ask the steering committee to meet immediately after this meeting for a few moments. I should like to advise members of the committee that I am going to ask the steering committee to review the evidence and prepare a draft report to be presented to the house. We will not meet this afternoon. On Thursday morning we will have a representative from the Maritime Co-Operative Services with us. We expect we will conclude his evidence on Thursday morning. I would ask the committee to meet on Thursday afternoon in camera in order to finalize our report to the house.

I should like to thank Mr. Levesque and the gentlemen with him this morning for a very fine presentation to this committee. I think we are indebted to them for the information they have provided.

Some hon. MEMBERS: Hear, hear.

## APPENDIX (1)

December 13, 1963.

AN AUTOPSY OF ANIMAL HUSBANDRY IN  
EASTERN CANADA

People who have travelled on different continents and are interested in agriculture, have difficulty to reconcile the plight of farmers in Eastern Canada with the fact that our country should lead all others in agricultural prosperity.

Government scientists have worked ceaselessly to improve the quality of our agricultural products and farming methods. Our Department of Agriculture and the Board of Grain Commissioners control efficiently the quality and weight of all types of grains and seeds and the health of our huge livestock and poultry population. Our transportation system, particularly since the opening of the seaway, has been streamlined and our freight rates are probably the lowest in any free country. The movement of grain is further facilitated by the construction and maintenance of large elevators at many transit points.

Geographically no country is in a better position than Canada to serve world markets from the East and West coasts and even from the North. We have the second highest living standard in the world which provides a good domestic market for all agricultural products. Our experienced, intelligent farmers, having at their disposal all the necessary equipment and buildings, should be able to maintain our poultry, livestock and dairy industries on a profitable basis. Government officials and private traders who handle our grain exports are highly qualified and dedicated men with long experience in the international grain trade. It is therefore only right to expect that agriculture throughout our country should prosper when based on the facilities and human qualities at hand.

For a few years after the end of the second world war the farm economy in Eastern Canada was still reasonably healthy. Farm indebtedness had not been too high and most farmers had at least a little capital to operate their mixed farms with a small profit.

We believe that the continuous decline in Eastern agriculture, particularly in the Province of Quebec and in the Maritimes, is partly due to a lack of a general cohesive agricultural government policy which would take into account the growth of our country, the changes which have taken place in agriculture during the last quarter century. Also, the lack of a deeper understanding of the process that a healthy agriculture is based on the proper utilisation of the soil, the efficient conversion of most of the products of the land into livestock, poultry, flour, vegetable oil, chemical products, sugar, canned food and many other goods, and the distribution of all these goods on a free competitive market. These objectives can only be achieved if free trade is restored, unnecessary restrictions abolished and production planned according to supply and demand.

Another cause of the decline in Eastern animal husbandry is due to the fact that government subsidies during the last few years, have not been distributed where they are needed most to improve Canadian agriculture as a whole and in this respect Eastern animal husbandry, particularly in the Province of Quebec, has not received enough attention.

There is also evidence that the decline of Eastern agriculture started shortly after the Government extended, in 1948, the Western wheat monopoly to oats and barley, the grains which are essential to the Eastern Canadian



livestock and poultry industry. The absurd erection of trade barriers, even between the three Prairie Provinces, has created a multiple price system. Western grain growers suffered for years severe losses by being obliged to sell their surplus grain at fire-sale prices, because the Wheat Board could not take it in time, while on the other hand, charging Eastern feeders much higher prices. It is difficult to understand, by objective observers, why Western oats should not be traded freely between producers and consumers, considering that most Canadian oats remain on farms for feeding anyway and that only  $\frac{1}{2}\%$  to 3% of the total Canadian production is exported.

The discrepancy between the abnormally low prices at which surplus grain was sold mostly in each of the three Prairie Provinces and the much higher prices Eastern feeders had to pay to the Wheat Board is, however, only one of the minor causes of the continuous decline of the Eastern livestock and poultry industry.

Many Western grain growers, with too much surplus grain on hand which could not be absorbed within their own province, were forced to go into an excessive production of livestock, poultry, eggs, etc., and these surpluses were then dumped on Eastern markets. This was often a severe blow to the livestock and poultry producers in Eastern Canada. *The people who live on the Island of Montreal consume more agricultural products than Manitoba and Saskatchewan combined*, but the Prairie Provinces, far away from the large buying centres and with less than 20% of the Canadian population, have been forced to produce for years 100-200% more pork, poultry and eggs than the requirements of their local markets.

It is a fallacy to believe that the prosperity of pork and poultry producers depends principally on the prices of feed grain in the west or east. Eastern Canada produces close to 200 million bushels of grain and only an additional 80 million bushels of Western feed grain is needed to take care of their normal production of livestock and poultry. The most important factor is the ratio between the price pork and poultry producers can obtain for the finished product, as against prices of feed grain plus the cost of production, transportation, refrigeration, etc. It is also a fallacy to believe that poultry, pork and eggs should be produced where the grain is grown; in this particular case in Western Canada. Due to the low cost of transporting grain by rail and water (assisted by a freight subsidy) most of the poultry, eggs, etc., should be produced in Eastern Canada near the great consuming (and export) areas, because the costs of transportation, refrigeration and other expenses from distances of 1,000 to 2,000 miles from Western Canada to Toronto, Montreal, etc., are so high that Western producers mostly lost money by dumping their surplus of meat products, etc., on Eastern markets, the more as these shipments also caused depressed price levels of meat, poultry and other products. The feedmills in Eastern Canada, the hatcheries, poultry houses, piggeries, abattoirs, are better equipped than in Western Canada, and in the hands of scientifically trained, experienced, producers.

The United States, due to a better climate, are producing essential feed like Soya meal and corn mostly at lower prices, which are available on a free market to producers of livestock and poultry. The import of turkeys, other poultry and pork from the United States was quite often a contributing factor of the decline of the prices for all meat and poultry products in Eastern Canada.

In any event, even the most experienced pork and poultry producers in Eastern Canada are not able to plan their production according to the expected demand, because nobody can foresee if and when poultry, pork and eggs will be over-produced in areas where surplus grain has to be converted into meat and eggs. It is a paradox to the layman that two years ago, when there was a crop failure in Western Canada and grain growers could move easily all



their grain through the Wheat Board and had not been forced to convert any grain into meat, this was the only year for quite some time where the Eastern livestock and poultry producers made some money in spite of extremely high feed prices.

Looking at the statistics of June 1st, 1961, we find that at this date for every 100 people living in the Prairie Provinces, over 80 hogs were kept on Western farms, whereas in the East there were only 20 hogs for 100 people. The figures for poultry are somewhat similar. In the Prairie Provinces 700 birds for 100 people; in the East 300 for 100 people. It is no wonder that this Western production, far in excess of local demand, must of necessity have led to the over-loading and depressing of Eastern markets. It is therefore not surprising that the Province of Quebec is always deficient in the production of meat and poultry, because producers although experienced and with modern large establishments, are under the constant fear of dumping of meat products on their local markets and are handicapped to go into full production.

We come now to the saddest part of our report. We would like to confine ourselves to the Province of Quebec, where farmers are probably worse off than in the richer Province of Ontario and even the smaller Provinces of the Maritimes with the exception of Newfoundland. We believe that out of the 85,000 farmers in the Province of Quebec, at least half will have to abandon agriculture or, if some can afford it, can maintain their farm as a homestead by taking jobs elsewhere. A few thousand farms are anyway so small that they cannot be considered as an agricultural enterprise. Others are so indebted and lack funds and equipment to produce pork or poultry, and the few dairy cows they possess cannot produce enough money for a living. However, there might be some help for those farms who do not produce much grain but still have reasonably good pasture. For those people, there might be some future ahead by going into the production of beef cattle, if the Government would assist these farmers to buy or rent neighbouring farm land for grazing of beef cattle and, furthermore, by giving them the possibility to buy good breeding stock for breeding cattle. There is no reason why beef cattle could not be produced as efficiently as on the mountainous ranges of Western Canada. The production of beef cattle does not need much investment for shelter and does not require much work from the breeder, so that he has the possibility to take part-time jobs elsewhere. The switch to beef cattle would also reduce the surplus of dairy products, which costs the government plenty every year.

Australia and New Zealand have, for many years, pursued a clever aggressive propaganda on many continents, to increase the consumption of lamb and mutton. They have recently opened kitchens in European countries to show the housewives how to prepare lamb as a tasty dish. Even in France, the gourmet country of the world, lamb enjoys great favour. We believe that there is a possibility, through active propaganda, to increase the consumption of lamb in Canada and even to export some, in view of our favourable geographical position. We have enough grazing land in Eastern Canada suitable for the raising of sheep.

The scientific progress in the last decade has shown its effect, particularly in animal husbandry. Until a decade ago, many smaller farms on marginal land still could make a small living by breeding and raising a number of pigs and maintaining a small flock of poultry. However, the impoverishment of the Eastern farmers, as explained before, has taken its toll. The newer scientific methods and the large capital needed for factory type production, caused the switch from the mixed family farms to large industries in pork and poultry. After all, the production of pork and poultry, also on a very large scale, does not require any farm at all and can even be more profitable on a

few acres of land near the large consumption centres. For a number of years the feedmills in Eastern Canada tried to assist the farmers by long-term credits to continue the production of pork and poultry. A careful study of the accounts receivable of a number of feedmills in the Province of Quebec shows that at least 25 per cent is not collectable.

This deplorable situation is another reason why the production of pork and poultry is progressively taken over by the huge flour, feed and abattoir companies, most of them controlled by United States interests under a system called "Vertical Integration". Also a number of feedmills in the country, who previously had sold their balanced rations exclusively to the farmers, are now building more and more their own modern poultry houses, hatcheries, piggeries and even abattoirs, and the feedmill becomes only an integrated part of these lines.

Science never comes to a halt. The shoe cobbler at the beginning of this century was replaced by the shoe factory and the horse was replaced by the automobile so also the production of pork and poultry will gradually expand into factories.

Our Association has always, at all its meetings and through publications, emphasized that if farming should survive it would be necessary that complete unity should be created between East and West and people who represent the co-operative segment of our agricultural economy and those who represent private enterprise. There is no doubt that the permanent threat of some agrarian propagandists, preaching the elimination of free enterprise is also a factor that the large flour mills, as well as country feedmills have accelerated their integration in the meat and poultry production. We are firm believers in the necessity of agricultural co-operatives, so long as they can prove they can give a better service and lower prices to the farmers in their localities. We are very proud that we have a number of efficient co-operatives as members of our Association, who in competition with the private enterprises are quite successful.

There are still a few thousand farmers who followed the progress in animal husbandry and have at least some means to improve their production facilities. Those thousands of farmers need help and can be helped by making funds available to them for the improvement of the soil, for the purpose of good seeds, fertilizers and breeding stock. Grain production in Eastern Canada can no doubt be increased; we have an excellent example in Western Ontario where the production of feed grain tripled in the last few years and the excellent yields in quality and quantity of oats in many areas in the East.

We are happy to see the full prosperity of the Prairie farm life has been achieved, and which is partly due to the large subsidies grain growers have received since the end of world war II.

It is time now that the vision of our Government turns to agriculture in Eastern Canada. Help might be too late for thousands of farms, but many of them have not yet passed the point of no return.

We have read carefully the Submission by the Canadian Federation of Agriculture to the Hon. Harry W. Hays and the Hon. René Tremblay. We believe that every one of the thousands of different branches of production and distribution of goods should be properly represented through associations, one of them being the Canadian Federation of Agriculture. However, we believe that the name of Canadian Federation of Agriculture is an over-statement, as this Federation represents only those farm organizations who are exponents of cooperative societies. This segment represents only a small fraction of our Canadian animal husbandry industry.

The statistics of the Department of Agriculture and a list published with the names and the amount of freight subsidies paid to the receivers every year,



through Eastern wholesalers (cooperatives and wholesale grain merchants) show that only a small fraction of Western feed grain was sold through co-operatives. Farmers are buying mostly balanced feed rations. Also here the production and distribution by the large flour and feed companies, combined with those of the privately owned country feedmills, show even more the small share of the cooperatives in this business. Also the statistics of slaughtering and processing of meat and poultry in privately owned abattoirs, show again the predominant share of private business and industry.

We mention these facts only to prove that the Canadian Federation of Agriculture is not entitled to speak for Canadian Agriculture as a whole, although as mentioned before, our Association welcomes anybody who can give better service in the delivery of goods to the farmers and, on the other hand, pay a higher price for their products. It is also logical that the Canadian Federation of Agriculture cannot speak effectively for Eastern agriculture in their Submission, because the interests of Western agriculture are mostly diametrically opposed to the interests of Eastern agriculture. Western grain growers want more for their grain and are inclined to increase their production of livestock and poultry, while Eastern agriculture wants lower prices and a higher share of the production and distribution of meat, poultry and eggs, because the consumption is mostly concentrated in their own territory.

It is difficult to understand that the Canadian Federation of Agriculture believes that the panacea for the deplorable state of Eastern animal husbandry, is the creation of another monopoly, a Feed Bank. In their memorandum, the Canadian Federation of Agriculture stated quite correctly that the producers of livestock and poultry use almost exclusively balanced rations. Now only about 50% to 60% of those rations is oats, barley or wheat, the balance is imported corn, Soya meal, millfeeds and other protein and mineral supplements. The total costs of these mostly higher priced ingredients are higher than the total costs of the grain in feed rations. This means that the costs of balanced rations are predominantly determined by the costs of these ingredients and *not* Western grain.

The best evidence that free competition and freedom of choice is the only system to efficiently handle feed grain at the lowest possible cost, is the present supply situation of Western feed grain in Eastern Canada. Never in the history of the Canadian grain trade, have such huge quantities of export grain been shipped within a period of 2 to 3 months through the St. Lawrence. In spite of this greatly increased export volume, there was never at any time a shortage of domestic grain anywhere. On the contrary, the present stocks of domestic grain, particularly in large distribution centers like Montreal and Quebec, are more than enough to meet requirements until the opening of navigation in 1964. Is it therefore worthwhile that a good many wholesale grain merchants, and their numerous employees, who serve their customers efficiently and faithfully, most of them for 50 years or more, should be put out of business for an utopian venture which can achieve nothing or, as we say in French "*Tant de bruit pour une omelette*"? We do not want to go into more detail concerning the Feed Bank question, as we have already distributed, some time ago, a pamphlet of which we enclose a copy herewith.

Now, coming to the other Submissions of the Canadian Federation of Agriculture, we strongly object to the demand that the Canadian Wheat Board increases the price of wheat for Canadian consumption and sell cheaper for export, including sales to the communists. This demand is a repeat performance, because a similar request was submitted to the Right Hon. C. D. Howe who rejected this demand saying that it is impossible to charge Canadian consumers more for bread, flour, etc., consequently contributing to more inflation and to hurt particularly the large number of unemployed and other poor people, while we would subsidize people in communist countries who will get food at lower



prices. This demand is bad citizenship and it is surprising that it comes from an organization who should be the champion of the poor farmers.

If the wheat price for domestic use should be increased, only 200,000 Western wheat growers, who now have "the best year of their life", would benefit while over 18 million Canadians would suffer.

On page 13 of their memorandum, the Federation states: "IN GENERAL WE FAVOR A POLICY FOR CANADA OF MOVING TOWARDS FREER TRADE". However, to the contrary, their submission is full of requests aimed at the establishment of totalitarian systems as they exist only in communist countries. Among other requests, the Federation wants also flax and rye to be added to the monopoly already existing for Western wheat, oats and barley. Flax and rye, for many years have been traded freely to the full advantage of producers *without costing the government one cent on subsidies*.

The same totalitarian system they propose should also be expanded to feed grain, under the title of a "Feedbank", as mentioned before. Furthermore, the Federation asked for the creation of other "Boards" aimed at complete control of the distribution and handling of all other agricultural products. It also demands that all these Boards, both management and employees, should be appointed exclusively by people who are members of cooperative movements.

Such frivolous requests are a presumptuous affront to the majority of the people engaged in free enterprise. There is no evidence that people employed with cooperatives are better qualified than people of the larger segment of private enterprise. We oppose any demand for a totalitarian system. Democracy and free enterprise are indivisible. What the Federation asks seems to confirm the predictions of the founder of modern communism, Lenin, who wrote in 1917 the following:

"The whole of society will have become a single office with equality of work and equality of pay."

AFTER ALL, ONE OF THE MAIN CHARACTERISTICS OF COMMUNISM IS THE REPLACEMENT OF CITIZENS BY THE STATE IN THE DISTRIBUTION OF GOODS.

*Eastern grain merchants and feedmills are sick and tired of being slandered as speculators and profiteers by influence peddlers who aim at getting fat Government jobs because they could not make a decent living in a competitive world. After all, in spite of the heavy tax burden of free enterprises, from which cooperative organizations are exempted, there is no evidence yet that their service to farmers is better or their prices lower.*

The members of our Association, grain merchants, operators of feed mills, livestock producers, wholesalers, etc., extend an invitation to the members of your Committee or your delegates to visit their establishments and offices, to see for yourselves, once and for all, the efficient and economically useful services they perform. All their records will be open to your inspection. Furthermore, they will assist you in every possible way to sample the opinion of their many farm customers.

While we believe that later on some changes in the Wheat Board regulations concerning oats and barley should be made, we are of the opinion that this can be safely postponed for another two years, because the favorable outlook for grain export sales will prevent the accumulation of burdensome surpluses of oats and barley in the Prairie Provinces.

We take the opportunity to express our thanks to the Department of Agriculture, the Department of Trade and Commerce, the Canadian Wheat Board, the National Harbours Board and the Board of Grain Commissioners, for their accomplishment to supply Eastern Canadian livestock and poultry producers with Western feed grain at any time and at reasonable prices under

the most difficult circumstances. We do not need any more new "Boards" "inbetween Governments" as we have full confidence in the expert knowledge of our Federal agencies and the assistance and consideration we have always received from our elected members of Parliament.

To sum up in short, here are some suggestions which we take the liberty to submit to your Committee:

1. The appointment of an associate Minister of Agriculture;
2. The formation of a committee sitting every three months, composed of: one delegate of the United Cooperative of Ontario; one delegate of the Ontario Feed Dealers Association; one delegate from the Coopérative Fédérée de Québec; one member of our Association; one member from the Maritimes Service Cooperative in Moncton and one representative of the Maritimes Feed Merchants. These delegates should present memorandums for discussion and experts from Eastern Canada versed in all phases of Agriculture should have a chance to express their opinions. If this Committee sits under the chairmanship of a delegate of the Department of Agriculture and the Department of Trade and Commerce, together with representatives of the Canadian Wheat Board, the National Harbours Board and the Board of Grain Commissioners, these friendly discussions will lead to harmonious relations and will assist our Government to formulate legislation in the interest of the Canadian farm economy as a whole.
3. While we believe that subsidies should only be sparingly applied in cases of emergency, such an emergency has arisen in some sectors of Eastern Farm Economy;
4. We also believe that our Government should initiate a powerful and extensive propaganda to improve the quality of our agricultural products, to promote home consumption and increase the demand in export markets.

We thank you very much for devoting your time and energy to the solution of the problems of Eastern animal husbandry, and remain,

Yours very truly,

The Association for the Development  
and Protection of Eastern Canadian  
Agriculture Inc.

## APPENDIX (2)

December 10, 1963.

## A REVIEW OF THE FEED SUPPLY SITUATION IN EASTERN CANADA

During this summer, freight rates on the Great Lakes for the transportation of western feed grains dropped to a record low. All the wholesalers recommended therefore to feeders in eastern Canada, to cover their requirements of wheat, oats and barley, until the spring of 1964. A large percentage of feeders heeded this advice and took advantage of the situation. They will therefore get the grain they need until the opening of navigation 1964, at extremely low prices. It was no doubt a great incentive to eastern feeders to take advantage of the new legislation, where all consumers of western wheat, oats and barley, will enjoy free storage of these grains from October 15th to April 15th 1964. The government will even absorb the storage charges, accrued during that six month period, in case already stored grains are leaving eastern elevators after April 15th.

There is sufficient evidence that most eastern consumers of feed grains have bought even more oats and barley for fall delivery than needed, contracted during the time when grain and transportation rates were cheap, because all they could lose is a small amount of bank interest. Even during and after the two recent strikes, there has been ample supply and possibly over-supply of oats and barley in the elevators at Prescott, Montreal and Quebec, to take care of the requirements of the eastern livestock and poultry industry for some time. As a matter of fact, a number of large and small feedmills, partly cooperatives, partly privately owned, have been resellers of oats and barley to this day.

Most wholesalers report that their advance sales for delivery before the freeze-up have doubled and even tripled this year.

Although still a number of lake boats have to be unloaded in eastern elevators before the freeze-up, the stocks of western grain, particularly in the larger distributing centres like Montreal and Quebec, are considerably higher than at the same period last year. In spite of the record shipment of export grain in the last three months, there was never a shortage of domestic grain anywhere and at any time in eastern port elevators. This is due to the consideration given to the domestic demand for feed grain by the Canadian Wheat Board, the National Harbours Board, the Board of Grain Commissioners and above all the efficient handling of western grain by the Winnipeg shippers and eastern distributors.

Our firm and other eastern wholesalers have negotiated with the railways a reduced freight rate from western Ontario points to Montreal and other points, and this corn was available at much lower prices than imported American corn. The present stocks of Ontario corn in store at eastern ports, are therefore a welcome addition to our feed supply. My own firm, as one of the largest distributors of feed grain, has sold 200 per cent more feed grain to eastern processors for their winter requirements than in previous years, at the time this summer when water freight rates could be covered cheaply. By this we mean that during the late summer months this year, water freight rates reached a level at which shipping companies would have been better off to switch their cargoes to ore or other commodities to avoid further losses. Also, the prices that the Canadian wheat board has been asking for wheat, oats and barley, has been low and only some people who want to have everything for nothing and do not understand that western grain growers are also entitled to a small return, did not buy their requirements at that time.



On the basis of these facts, we consistently recommended to our customers to cover their winter supplies, and it is reported also by a number of other firms, that perhaps 85 per cent of the feedmills, at least in our province of Quebec, have bought their winter feed grain at very low prices. As a matter of fact, even the present price the Canadian wheat board is asking for its feed grain, is cheap considering the tremendous demand for Canadian grains from other continents.

For example, still as late as December 6th the Canadian Wheat Board price for No. 1 feed oats in store Fort William was 74½¢ per bushel and \$1.11 per bushel for No. 1 feed barley. Basis these prices in store Fort William, what is the return to the western grain farmer when this grain leaves his farm?

Wheat board prices in store Fort William are, for:

|   | No. 1 Feed Oats | No. 1 Feed Bly |
|---|-----------------|----------------|
|   | .74½            | \$1.11         |
| Less: freight from western country point to the Lakehead, cost of elevation, interest and other expenses: ..... | .18             | .21            |
|   | <hr/> 56½       | <hr/> .90      |

Converted to 100 lbs. the western farmer realizes on this basis: \$1.65 for No. 1 feed oats and \$1.87 for No. 1 feed barley, and I have yet to meet a grain farmer in eastern Canada who has, in the last decade, been willing to sell his grain even near those prices.

People who, for whatever motive, want a totalitarian system like in Russia, controlling the shipment and the distribution of western feed grain in eastern ports, will run against a stone wall. According to long-standing legislation, the Canadian Wheat Board is an agency established for the purpose of protecting exclusively the interests of western producers of wheat, oats and barley which cannot sell cheaper than at the highest price they can obtain on the domestic or export market, whichever level is the higher. The prices published daily by the Wheat Board are the same for a buyer of 1,000 bushels or 10 million bushels. However, if those proponents of a feedbank, which I will hereafter call "feed bankers" for short, should even succeed to eliminate the Wheat Board and trade directly with prairie grain growers (a chance in a million), their costs in buying the grain directly from prairie growers to be delivered by them to eastern farmers, will be considerably higher than the prices at which the Canadian Wheat Board is selling the wheat, oats and barley in store at the Lakehead ready for shipment to eastern ports.

First of all, the costs of elevation and storage of western grain in eastern elevators, are fixed by the Board of Grain Commissioners at a reasonable rate. Secondly, the railway freights from prairie shipping points to the Lakehead, are the cheapest in the free world, unchanged since 1898 and subsidized to this effect by the federal government.

The Canadian Wheat Board, having operated successfully for over 25 years, disposes of a most experienced staff of about 1,000 employees, supervised by the four commissioners in Winnipeg in charge of purchase, storage, transportation and distribution of about one billion bushels of western grain a year. I doubt that those "feed bankers", even if they are supermen, can do a better job, the more as the eastern domestic demand requires only about 6 to 8 per cent of this billion bushels. Sometimes I wonder why the four commissioners, with their outstanding knowledge of the grain trade, stay on their job for so many years instead of taking a lucrative position elsewhere, when they are criticized so often by uniformed publicity seekers and know-it-all people.

Since 1960 the Department of Agriculture and the Canadian Wheat Board have sent delegates to meetings of the Association for the Development and Protection of Eastern Canadian Agriculture Inc., to discuss the problems of a proper supply of Western feed grain to Eastern consumers. Since then, there was always an ample supply of feed grain available to Eastern feeders in spite of the Western crop failure two years ago, and the shortage of feed grain in Western Canada, and even today, after an unexpectedly tremendous export movement of Western grain through the St. Lawrence River, Eastern feeders have been fully protected in quantity and price by the Canadian Wheat Board. Even the stocks of oats and barley at the Lakehead, for shipment after the freeze-up, are already so high that they can cover the necessary feed supply until late June, and there is of course more to be loaded later on to the Lakehead.

Mentioning all these figures and facts, I can only state that, as far as deliveries of feed grain from the western grain growers to the Lakehead are concerned, a Feedbank is as necessary as the measles.

Now, let us see if a totalitarian system, operated by members of co-operative organizations, can deliver feed grain more efficiently and at lower prices from the Lakehead to ultimate Eastern consumers.

During my long life I have been asked, on many occasions, if a grain merchant doesn't have to take great risks in view of the fluctuation of the grain market. However, precisely the contrary is true. The grain trade is the only line of business, among the thousand others, where every buyer and seller can protect himself 100% against any losses through price fluctuations. A buyer of feed grain has three choices, which are:

- a) To buy at a final price if he believes that the price is low enough;
- b) He can hedge it basis the option market in Winnipeg;
- c) He can buy his wheat, oats and barley on a consignment basis, delivered to Eastern ports, and establish the final price for all or part of it, any time before taking delivery of his grain, on the basis of the daily official prices of the Canadian Wheat Board.

A few months ago, the Department of Agriculture has announced that it is going to pay the elevator storage charges in the East for a period of six months, from October 15 to April 15, for wheat, oats and barley. This gave 4 considerable advantages to the Eastern feeders:

- 1) It eliminated the worry that their feed requirements will not be unloaded before the freeze-up;
- 2) It gave them the advantage to have grain stored in Eastern elevators without any cost to them, long before the close of navigation, at a time when water freight rates and insurance rates are much lower than in November and December;
- 3) It is a big saving to Eastern feeders, not having to pay the storage charges of 1¢ per bushel per month;
- 4) They can buy even somewhat more than their anticipated winter requirements, because the Department of Agriculture pays not only the storage charges until April 15th, but gives also the full refund for the six month period, if the feed grain is taken out of the elevator after the opening of navigation.

Looking at all these facts, we see again that the Eastern feeder can protect himself 100% against losses through price fluctuation. He is also fully protected as far as timely delivery of his grain is concerned. Furthermore, there is no other line where the marginal profit is as low as the profit of the



Winnipeg shippers and the wholesale distributor, and the feedmills who supply the farmer. Here is a description of how grain is handled from the moment it is sold at the Lakehead by the Canadian Wheat Board. All shipments of Western grains to the East are concentrated at Fort William, the only port of departure for the boats crossing the Great Lakes. Although the Canadian Wheat Board operated only from *one single port and sells only in very large quantities*, they employ the services of about 20 appointed so-called Agents of the Board to sell, transport and distribute Western grain stored at the Lakehead instead of assuming the impossible task of doing everything themselves.

On the other hand, the proposal of the Feed Bankers, including the Canadian Federation of Agriculture, favours the establishment of a Crown agency in Eastern Canada which would have to sell and distribute feed grains in carloads or trucks, from elevators in about 20 Eastern ports, to not less than 1500 cooperatively or privately owned feedmills, etc., in the six Eastern Provinces.

Because feedmills in the country are short of cash and buy grain only when it is needed, to avoid carrying charges they take their grain at the last moment and only in the smallest possible quantity. There is no "superman" who can foresee how much grain and which grade is needed in any of these Eastern ports at any definite time. We have in Eastern Canada a number of districts which have a surplus of feed grain. This applies particularly to Ontario, where the production of corn and oats has increased considerably. Farmers in these areas are interested in a rise in the price of feed grain while farmers in other areas of course want feed grain at lower prices. In any event, the pattern of production and demand for feed grain is different in each Eastern Province. Is there going to be a "central" agency for each Province? All this precludes bulk buying in large quantities. Moreover, who is going to provide the funds to buy the grain before loading at the Lakehead, advance the freight, claim the freight subsidies and sell and distribute the grain without creating friction and discontent, and who is going to take the risk of anything going wrong?

We have, in the Province of Quebec, at least 600 cooperatively and privately owned feedmills and other buyers of feed grain and most of them, due to the sorry financial state of the farm economy, are obliged to buy feed grain on credit. Who is going to finance the country distributors (feedmills, etc.) and who is going to take the credit risk?

Talking about credit, I am prepared to give evidence, through the records and the balance sheets of our Company, that only 2% of the hundreds of privately owned feedmills and cooperatives who do business with us, are able to pay cash; all the others taking credit terms from 30 to 90 days. This in spite of the fact that our gross profit is about 1¢ per bushel or \$20 to \$30 per carload worth \$2,500 to \$3,000.

The 20 agents of the Wheat Board include the 4 large farmers pools in Manitoba, Alberta and Saskatchewan, and the United Grain Growers who also retain membership and seats on the Winnipeg Grain Exchange where all Western grain is handled. The prices of the Canadian Wheat Board, and also the quotations of the Winnipeg Grain Exchange, are published daily and reprinted in most Canadian newspapers. The grain loading costs at Fort William elevators, established long ago by the Board of Grain Commissioners, do not change but remain stable for years. Therefore, any buyer of feed grain in the East can check to the fraction of a cent how much profit a Winnipeg shipper is making on his grain, plus the cost of delivering the grain from the elevator to the boat. Also, water freight rates from the Lakehead to the East are common knowledge.



Here is an example how every buyer of grain in the East, wholesaler or retail feedmill, can check the profit of the shippers in Winnipeg and the profit that the Eastern wholesale distributor can realize. Taking for example the September 1st official wheat board price for #5 wheat, of \$1.74½ per bushel in store Fort William; add the cost of loading the wheat from the Fort William elevator on the boat at the rate established by the Board of Grain Commissioners, plus cost of insurance, etc., totalling 3½¢ per bushel, add the boat rate Fort William-Montreal of 10¢ per bushel and we arrive at a cost price of \$1.88 per bushel CIF Montreal. The unloading of the wheat in Montreal and the subsequent loading of wheat by the elevator on railway cars or trucks average 1¼¢ per bushel, making a total price of \$1.89¼ per bushel track Montreal. A bushel of wheat is 60 lbs. Therefore, the cost price is \$3.15 per 100 lbs. The freight subsidy Fort William-Montreal is 25¢ per 100 lbs., making the net cost price, without any profit for the Winnipeg shipper or the Eastern wholesaler, \$2.90 per 100 lbs. The government pays an arbitrary freight rate, from Montreal to final destination for shipment by rail, in full. Therefore, the net cost price, delivered to the feedmill, is the same. So far as oats and barley are concerned everybody can establish, in the same manner, the cost per 100 lbs., subsidy deducted, delivered to the country feedmill, by taking as basis the daily published prices of the Canadian Wheat Board for oats and barley in store Fort William. Water rates for oats and barley are of course lower per bushel, because a bushel of oats is only 34 lbs. and a bushel of barley 48 lbs.

My firm pays, for the handling of grain at Fort William, including the paper work and the financing of the grain until the grain arrives in Montreal, ¼ of a cent per bushel. I believe that the same margin of profit is paid by the other wholesalers in Montreal, most of them having their head-office in Winnipeg anyway. We add to our cost-price CIF Montreal, 3¢ per 100 lbs., which leaves us a gross profit of \$24 for an 80,000 lbs. car-load worth about \$2,000 to \$2,500. Other wholesalers are basing their sales on the same margin of profit.

Country feedmills are invited to call any time *collect* for market information before buying, besides receiving regularly price-lists giving them the daily quotations for wheat, oats and barley. Having thus shopped around, they then buy where the offers are cheapest.

In view of the small profit margin of the wholesalers, grain was invoiced still ten years ago basis cash against documents. For quite some years now this is no longer possible as practically all country feedmills require terms of 30 to 90 days for payment, because of the long-term credits they have to give to the farmers to keep them in business.

Winnipeg shippers of Western grain and Eastern wholesalers are *erroneously called brokers*. A broker is a man who sells or buys a merchandise on behalf of the firm he represents, at a flat commission, without doing any financing, invoicing or handling and without taking any risk. All Winnipeg shippers and Eastern wholesale distributors are *grain merchants in the true sense of the word*, handling the grain for their own account and risk.

Taking again the Province of Quebec as an example, the wholesale grain merchants in our Province have to store the feed grain for their customers during the winter months, in Eastern elevators, and have to advance, before the freeze-up, about 20 to 25 million dollars for grain they hold in elevators for the account of retailers.

Feeders are using Western grain largely in feed mixtures. These mixtures are made up of about 60% oats and barley, costing according to grade around \$2.30 per 100 lbs. The balance of 40% is composed of mostly protein and mineral supplements and other protein feeds which cost \$5.50 to \$7.50 per 100

lbs. Therefore, the cost of the manufacture of balanced feed rations is determined much more by the higher prices of the protein feed than by the cost of Western grain. In any event, protein supplements and Soya meal cost double or triple the price of oats and barley.

The Canadian Federation of Agriculture has also demanded, in their brief, to take over the handling of the freight subsidy. This would be the best thing that could happen to Eastern wholesalers. The complicated system of claiming the freight subsidy and all connected paper work, requires an expensive clerical staff. The Canadian Federation of Agriculture does not seem familiar with the well-conceived freight subsidy system established by the Department of Agriculture since 1941. Wholesale grain merchants for twenty-two years have been obliged to advance the money for the freight subsidy payments, *without interest*, and have to maintain a permanent, experienced staff to file their subsidy claims at considerable expense. It means that all these operations, which benefit 200,000 Canadian wheat farmers, *do not cost the Treasury or the Eastern feeders a single cent*.

About 18 million dollars a year are reimbursed by the Treasury for freight subsidies which have been advanced during the year by about 100 wholesale grain merchants, without interest. About 80 million bushels of Western feed grain are used in Eastern Canada every year. This means that the wholesalers have to handle a minimum of 70,000 detailed freight subsidy claims yearly. To this have to be added probably an equal number of freight subsidy claims for formula feeds manufactured by the large feedmills—a particularly complicated operation. We shudder to think what chaos would result and what enormous costs would accrue if the proposal of the Canadian Federation of Agriculture to handle Eastern feed grain and the freight subsidies through a central agency, was put into effect. To make it clear and simple, the proposal of the Federation would only create chaos and involve huge expenses FOR SOMETHING WHICH EASTERN FARMERS HAVE BEEN GETTING FREE OF CHARGE FOR THE LAST 22 YEARS.

It seems that it would be impossible to find the large number of experienced people, who should be bilingual, (more than 50% of feed grains are consumed in the French-speaking Province of Quebec and part of Eastern Ontario and New Brunswick) to staff the "central agency". Also, the feedmills who manufacture feed and sell it to farmers at great credit risk, having to finance them completely "ad infinitum", do not deserve to be accused as being "speculators" or "profiteers". The demand of the Federation for a "central agency" therefore is basically an indictment of the management of their own members, particularly of the Western grain pools and the three central co-operatives in Toronto, Montreal and Moncton. If the four Western pools, in spite of their big line and terminal elevators and their capable management, have abstained from selling the grain they store in Western Canada and Fort William directly, without any intermediary, to the Eastern market or for export, it is simply because the profit which can be realized is far too small and the risks far too high—chances which the pools cannot take, as they administer the property of the Western farmers. It is equally wrong to minimize the efficiency of the management of the three big central co-operatives in Montreal, Toronto and Moncton (with about 700 affiliated co-operatives) who are well equipped to give the best possible service to the farmers. These old-timers do not need an appointed tutor to tell them how to run their business. It is equally unjustified to suggest that the privately owned enterprises, including the feedmills, abattoirs and secondary industries, do not do an excellent and sometimes thankless job in trading with Eastern farmers. AFTER ALL A PRIVATELY OWNED FEEDMILL IN THE COUNTRY, OR A WHOLESALE GRAIN MER-

CHANT CANNOT SELL A POUND OF GRAIN TO THE CONSUMERS IF THE PRICE IS NOT LOWER THAN THE PRICE QUOTED BY THE FARMER-OWNED AND TAX EXEMPTED CO-OPERATIVES.

16% Hog-grower is sold by these feedmills in our Province at between \$3.45 to \$3.80 per 100 lbs. on long-term credit. I have been 53 years in this business and am unable to understand why they sell at such a low margin of profit.

We all are getting tired to be accused of being speculators and profiteers. 26 grain merchants in Montreal alone have gone out of business in the last 15 years. I am a firm believer in the necessity for farm cooperatives, so long as they are run as an efficient business and can sell cheaper and better goods to their members than the private trade, and can buy the farmers' produce at higher prices than the private trade is willing to pay.

China and Russia had been for years the largest producers of grain. I have visited Russia and their six satellites, a long time before the war of 1914 and also afterwards. All these countries who formerly had grain surpluses, are now begging for our grain. It is not the weather alone which is responsible for their implied misfortune. It is the totalitarian system that controls agriculture in those countries which stifles the incentive and initiative of the individuals. To close with the words of Montesquieu: "A country is as fertile as it is free."

ROBERT C. BOSCO



APPENDIX (3)

HANDLINGS OF U.S. CORN AT EASTERN ELEVATORS

Millions of Bushels

| Open of Navigation |  |      |      |
|--------------------|--|------|------|
| to                 |  | 1962 | 1963 |
| June 27th          |  | 4.9  | 3.5  |
| August 28th        |  | 10.2 | 5.9  |
| October 31st       |  | 15.2 | 8.1  |
| December 5th       |  | 16.7 | 8.8  |

## APPENDIX (4)

## FEEDS

Retail prices per 100 pounds delivered (bags included) as at October 1st, 1963

SOURCE: DOMINION BUREAU OF STATISTICS

|                               | BRITISH COLUMBIA |           |      |               | PRAIRIE PROVINCES |           |      |               |                    |     |      |       |
|-------------------------------|------------------|-----------|------|---------------|-------------------|-----------|------|---------------|--------------------|-----|------|-------|
|                               | No. of Firms     | Range     |      | Average Price | No. of Firms      | Range     |      | Average Price |                    |     |      |       |
|                               |                  | Low       | High |               |                   | Low       | High |               |                    |     |      |       |
|                               |                  | \$        |      | \$            |                   | \$        |      | \$            |                    |     |      |       |
| <i>Grains</i>                 |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Corn, cracked.....            | 21               | 3.80-5.65 |      | 4.22          | *                 | *         | *    | *             |                    |     |      |       |
| Oats, unground.....           | 29               | 2.75-3.90 |      | 3.07          | 17                | 2.08-3.35 |      | 2.61          |                    |     |      |       |
| Barley, ground.....           | 29               | 2.70-3.95 |      | 3.17          | 19                | 2.00-3.20 |      | 2.59          |                    |     |      |       |
| Wheat, unground.....          | 29               | 3.25-4.25 |      | 3.57          | 18                | 2.50-3.90 |      | 3.09          |                    |     |      |       |
| <i>Dairy and Cattle Feeds</i> |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Dairy Ration (16%).....       | 27               | 3.35-4.80 |      | 3.85          | 24                | 3.10-4.45 |      | 3.68          |                    |     |      |       |
| Dairy Supplement (32%)....    | 15               | 5.20-6.90 |      | 5.68          | 36                | 4.30-5.80 |      | 5.12          |                    |     |      |       |
| <i>Hog Feeds</i>              |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Hog Concentrate (35%).....    | *                | *         | *    | *             | 24                | 5.30-7.20 |      | 6.00          |                    |     |      |       |
| Hog Grower Mash.....          | 27               | 3.43-4.90 |      | 4.14          | 28                | 3.20-4.70 |      | 3.73          |                    |     |      |       |
| <i>Poultry Feeds</i>          |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Chick Starter Mash (18-20%)   | 25               | 4.50-6.15 |      | 5.14          | 40                | 4.20-5.90 |      | 4.96          |                    |     |      |       |
| Laying Mash (17-20%).....     | 29               | 3.68-5.75 |      | 4.61          | 35                | 3.35-5.50 |      | 4.28          |                    |     |      |       |
| Broiler Starter Mash (20-23%) | 14               | 4.80-5.95 |      | 5.28          | 15                | 4.70-5.60 |      | 5.12          |                    |     |      |       |
| Turkey Growing Mash.....      | 19               | 4.31-5.50 |      | 4.77          | 25                | 3.90-6.60 |      | 4.85          |                    |     |      |       |
|                               |                  |           |      |               |                   |           |      |               |                    |     |      |       |
|                               |                  |           |      |               |                   |           |      |               |                    |     |      |       |
|                               | ONTARIO          |           |      |               | QUEBEC            |           |      |               | MARITIME PROVINCES |     |      |       |
|                               | No.              | Low       | High | Aver.         | No.               | Low       | High | Aver.         | No.                | Low | High | Aver. |
|                               |                  |           |      |               |                   |           |      |               |                    |     |      |       |
|                               |                  | \$        |      | \$            |                   | \$        |      | \$            |                    | \$  |      | \$    |
| <i>Grains</i>                 |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Corn, cracked.....            | 42               | 3.25-4.85 | 3.93 | 37            | 3.50-4.50         | 3.91      | 19   | 4.00-4.80     | 4.48               |     |      |       |
| Oats, unground.....           | 42               | 2.70-3.50 | 3.04 | 46            | 2.65-3.60         | 3.02      | 21   | 2.50-3.65     | 3.27               |     |      |       |
| Barley, ground.....           | 39               | 2.70-3.95 | 3.27 | 43            | 2.80-3.70         | 3.10      | 21   | 2.90-3.95     | 3.46               |     |      |       |
| Wheat, unground.....          | 43               | 3.25-4.60 | 3.67 | 42            | 2.90-4.30         | 3.63      | 23   | 3.60-4.70     | 3.98               |     |      |       |
| <i>Dairy and Cattle Feeds</i> |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Dairy Ration (16%).....       | 44               | 3.20-4.90 | 3.94 | 46            | 3.10-4.40         | 3.64      | 23   | 3.45-4.25     | 3.78               |     |      |       |
| Dairy Supplement (24%)....    | 24               | 4.00-5.40 | 4.65 | 16            | 3.70-5.30         | 4.52      | 7    | 3.95-5.00     | 4.48               |     |      |       |
| <i>Hog Feeds</i>              |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Hog Concentrate (35%).....    | 31               | 5.80-7.45 | 6.45 | 22            | 5.75-6.90         | 6.28      | 8    | 6.00-7.35     | 6.56               |     |      |       |
| Hog Grower Mash.....          | 40               | 3.50-4.80 | 4.04 | 40            | 3.50-4.90         | 3.94      | 21   | 3.75-5.00     | 4.19               |     |      |       |
| <i>Poultry Feeds</i>          |                  |           |      |               |                   |           |      |               |                    |     |      |       |
| Chick Starter Mash (18-20%)   | 34               | 4.80-6.15 | 5.36 | 40            | 4.15-6.30         | 4.93      | 17   | 4.70-6.20     | 5.45               |     |      |       |
| Laying Mash (17-20%).....     | 41               | 4.00-5.60 | 4.72 | 43            | 4.00-5.40         | 4.57      | 22   | 4.40-5.60     | 4.79               |     |      |       |
| Broiler Starter Mash (20-23%) | 16               | 5.00-6.00 | 5.56 | 11            | 5.05-6.20         | 5.54      | 5    | 5.40-5.75     | 5.58               |     |      |       |
| Turkey Growing Mash.....      | 18               | 4.75-5.90 | 5.45 | 14            | 4.50-6.10         | 5.17      | 6    | 4.60-5.60     | 5.31               |     |      |       |

\* Fewer than five firms reporting Mash includes pellets, crumbles, cubes, etc.

Markets Information Section  
Department of Agriculture  
Ottawa—November 14, 1963

7  
HOUSE OF COMMONS  
First Session—Twenty-sixth Parliament  
1963

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STANDING COMMITTEE  
ON

# Agriculture and Colonization

*Chairman:* RUSSELL C. HONEY, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 7

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Respecting the Annual Report of the  
DEPARTMENT OF AGRICULTURE (1963)  
with particular reference to matters relating to the  
PRICE OF FEED GRAINS  
INCLUDING SECOND REPORT TO THE HOUSE

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THURSDAY, DECEMBER 19, 1963

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WITNESS:

*From The Maritime Cooperative Services Limited:* Dr. F. W. Walsh.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964



STANDING COMMITTEE  
ON  
AGRICULTURE AND COLONIZATION

*Chairman:* RUSSELL C. HONEY, *Esq.*

*Vice-Chairman:* PATRICK T. ASSELIN, *Esq.*

and Messrs.

|                                |                            |                               |
|--------------------------------|----------------------------|-------------------------------|
| Alkenbrack,                    | Gendron,                   | Nasserden,                    |
| Armstrong,                     | Groos,                     | O'Keefe,                      |
| Béchar, d,                     | Hamilton,                  | Olson,                        |
| Beer,                          | Harkness,                  | Ouellet,                      |
| Berger,                        | Herridge,                  | Pennell,                      |
| Bigg,                          | Horner, ( <i>Acadia</i> )  | Peters,                       |
| Cadieu, ( <i>Meadow Lake</i> ) | Jorgenson,                 | Pigeon,                       |
| Cardiff,                       | Konantz, (Mrs.)            | Ricard,                       |
| Choquette,                     | Lamb,                      | Rochon,                       |
| Crossman,                      | Langlois,                  | Roxburgh,                     |
| Cyr,                           | Laverdière,                | Stefanson,                    |
| Danforth,                      | Loney,                     | Tardif,                       |
| Dionne,                        | MacLean, ( <i>Queens</i> ) | Temple,                       |
| Drouin,                        | Madill,                    | Vincent,                      |
| Emard,                         | Mather,                    | Watson, ( <i>Chateauguay-</i> |
| Enns,                          | Matheson,                  | <i>Huntingdon-Laprairie</i> ) |
| Ethier,                        | Matte,                     | Watson, ( <i>Assiniboia</i> ) |
| Forest,                        | McCutcheon,                | Whelan,                       |
| Forgie,                        | Mullally,                  | Willoughby—60                 |
| Gauthier,                      | Muir, ( <i>Lisgar</i> )    |                               |

(Quorum 20)

D. E. Levesque,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 19, 1963  
(12)

The Standing Committee on Agriculture and Colonization met this day at 10.05 o'clock a.m. The Chairman, Mr. Russell Honey, presided.

*Members present:* Messrs. Armstrong, Asselin (*Richmond-Wolfe*), Bechard, Beer, Bigg, Danforth, Dionne, Enns, Gauthier, Harkness, Honey, Lamb, Loney, Madill, Matheson, McCutcheon, Mullally, O'Keefe, Olson, Ouellet, Pigeon, Ricard, Roxburgh, Stefanson, Vincent, Watson (*Assiniboia*), Whelan.—(27)

*In attendance:* From the Maritime Cooperative Services Limited: Dr. F. W. Walsh.

The Clerk read the Report of the Subcommittee's meeting of Tuesday, December 17, 1963.

*The Subcommittee* of the Standing Committee on Agriculture and Colonization met this day in room 308 West Block.

*Members present:* Messrs. Honey, Mullally, Peters, and Danforth (for Mr. Hamilton).—(4).

The Subcommittee reviewed a draft Report to the House prepared by the Chairman, and approved the said Report, subject to amendment, when studied by the Committee. It was agreed that the said draft Report should be submitted to the Committee "*in camera*" at its meeting on Thursday afternoon, December 19, 1963, so that the Report may be ready for submission to the House on Friday, December 20, 1963.

*Agreed*,—That the Report of the Subcommittee be adopted as read.

The Chairman introduced Dr. Walsh.

Dr. Walsh made a statement and the Committee proceeded to the questioning of the witness.

*Agreed*,—That a map indicating the Locations of Grain Elevators in Eastern Canada be appended to this day's evidence. (*See Appendix (1)*).

It was also agreed the letter from Mr. W. D. Dernier to the Clerk be appended to the evidence. (*See Appendix (2)*).

The questioning of the witness being concluded, the Chairman thanked Dr. Walsh.

At 11.05 o'clock a.m., the Committee adjourned to 3.30 o'clock p.m., this day to consider, *in camera*, a draft Report to the House.

## AFTERNOON SITTING

THURSDAY, December 19, 1963.

(13)

The Standing Committee on Agriculture and Colonization met this day, "*in camera*", at 3.40 o'clock p.m. The Chairman, Mr. Russell C. Honey, presided.

*Members present:* Messrs. Armstrong, Asselin (*Richmond-Wolfe*), Bechard, Berger, Choquette, Danforth, Enns, Ethier, Gauthier, Gendron, Honey, Lamb, Langlois, Loney, Madill, Matte, McCutcheon, Mullally, Pigeon, Vincent, Whelan and Watson (*Assiniboia*)—(22).

The Committee proceeded to the consideration of its draft Report to the House.

After a brief discussion it was *Agreed* that the said draft Report be adopted, as amended, as the Committee's Second Report to the House.

On motion of Mr. Danforth, seconded by Mr. Enns,

*Resolved*,—That the Chairman, the Vice-Chairman and the Clerk be highly commended for the efficient service to this Committee.

D. E. Levesque,

*Clerk of the Committee.*



## REPORT TO THE HOUSE

FRIDAY, December 20, 1963.

The Standing Committee on Agriculture and Colonization has the honour to present its

### SECOND REPORT

The Standing Committee on Agriculture and Colonization has the

Pursuant to its Order from the House dated October 31, 1963, Your Committee has made a thorough examination of:

1. The Report for 1962 of the Board of Grain Commissioners for Canada and approved the said Report and commends the Board on the performance of its duties.

2. The Report of the Canadian Wheat Board for the crop year ended July 31, 1962, and the Supplementary Report of the Canadian Wheat Board for 1961-62 pool accounts for wheat and approved the said Report and Supplementary Report and commends the Board on the performance of its duties.

Pursuant to the said Order from the House Your Committee commenced an examination of the Report of the Department of Agriculture for Canada for the year ended March 31, 1963, with particular reference to the matters relating to the difference between the price received for feed grains by the producers in the prairie provinces of Western Canada and the price paid by livestock feeders in Eastern Canada and British Columbia. In the course of this examination the Committee has examined:

1. The Minister of Agriculture and his officials.
2. The Chief Commissioner and officials of the Board of Grain Commissioners.
3. The Assistant Chief Commissioner and officials of the Canadian Wheat Board.
4. Officials of The Canadian Federation of Agriculture, The Catholic Farmers' Union (U.C.C.) and The Coopérative Fédérée.
5. Officials of The Winnipeg Grain Exchange.
6. Officials of The Association for the Development and Protection of Eastern Agriculture Inc.
7. An official of The Maritime Cooperative Services, Limited.

Time did not permit your Committee to complete its examination of the said Report of the Department of Agriculture for Canada. Your Committee deems it necessary to examine other witnesses before reporting to the House with reference to the said Report and with particular reference to the matters of feed grains as above-mentioned.

Time did not permit your Committee to examine the Report of the Agricultural Stabilization Board for the year ended March 31, 1963.

Your Committee respectfully recommends that at the beginning of the next session of Parliament this Committee be organized as expeditiously as possible and the following items be referred to it:

1. The examination of the Report of the Agricultural Stabilization Board for the year ended March 31, 1963.

2. The completion of the examination of the Report of the Department of Agriculture for Canada for the year ended March 31, 1963, with particular reference to the difference between the price received for feed grains by the producers in the prairie provinces of Western Canada and the price paid by livestock feeders in Eastern Canada and British Columbia and that the evidence adduced before this Committee in this session be referred to the Committee constituted in the next session, and that such Committee have leave to receive such evidence as part of the said examination.

A copy of the Minutes of Proceedings and Evidence, Issues Nos. 1 to 7 inclusive, is appended.

Respectfully submitted,

RUSSELL C. HONEY,  
*Chairman.*

## EVIDENCE

THURSDAY, December 19, 1963.

The CHAIRMAN: Gentlemen, I think we have a quorum. With the committee's permission we will start now.

I will ask Mr. Levesque to read the minutes of the subcommittee's meeting which took place on Tuesday. (*See Report of Minutes of Proceedings*).

The CHAIRMAN: You have heard the minutes of the subcommittee's meeting. Are they adopted by this committee?

Agreed.

Mr. PIGEON: Mr. Chairman, on Tuesday, December 10, 1963, I placed a motion before the committee, seconded by Mr. Vincent. The motion was

That the committee recommend to the government that legislative measures be taken at the next session with a view to establishing an agency for feed grains to stabilize the price of feed grain in eastern Canada and British Columbia.

As you know, we probably close the session tomorrow. I know the committee will continue its work in the next session, but if we wait until the next session it will be impossible for the government to take any steps along these lines. For those reasons I would very much appreciate it if the committee would decide on this matter this morning so that if the wish of the committee is that such an agency be established this policy can be included in the throne speech.

Mr. OLSON: Is this the last group which wishes to make representations to this committee before we write the report?

The CHAIRMAN: No, we have two other witnesses who have indicated they would like to appear before the committee. One is Mr. Frank Howard, member of parliament for Skeena, and the other is the Montreal corn exchange. As the committee members know, we have no time to hear any more witnesses in this session, and we wish to report to the house. The draft report is ready for consideration by the committee this afternoon. I would like the assistance of the committee in this matter. My feeling, Mr. Pigeon, with respect, is that the matter you raised would be quite properly raised this afternoon when the committee sits to consider its report. As I say, I will ask for the assistance of the committee on this, whether or not they wish to deal with your motion now. However, we have Dr. Walsh here, and I think most members would like to conclude this meeting by 11 o'clock when the house sits. I think this afternoon would be the appropriate time to deal with your motion.

Mr. PIGEON: I agree, Mr. Chairman.

The CHAIRMAN: Thank you.

Gentlemen, I would like to introduce Dr. Waldo Walsh to you. Dr. Walsh is the director of the Maritime Cooperative Advisory Services, and I am going to ask him if he will be kind enough, not letting modesty restrain him, just to give the committee a brief background of his qualifications and experience in this field and then go on with some remarks that he would like to make to the committee. When those are concluded, members may like to ask some questions of Dr. Walsh.



Mr. DANFORTH: Before we proceed, may I request that Dr. Walsh also in his opening remarks give us a bare outline of the Maritime Cooperative Services so that we may know beforehand exactly the scope of the group from which we are hearing the report.

The CHAIRMAN: Yes, thank you, Mr. Danforth.

Dr. WALDO WALSH, (*Director, Maritime Cooperative Advisory Services*): Mr. Chairman, gentlemen, I am delighted to be here and I hope that through questioning something may come out that may be helpful to you in your deliberations.

I am an adviser to four cooperatives in the maritime area. It is a job that I took on after I retired as deputy minister of agriculture for the province of New Brunswick, a job I held for 20 years. The one company which is the largest cooperative is the Maritime Cooperative Services. It is a cooperative which was established in 1927. I was one of the organizers when I was working as a field man in Nova Scotia for the federal government, Department of Agriculture. At that time the department felt it was important to help the farmers in their marketing plans, and eventually we set up in the three provinces some 70 livestock shipping clubs; and these, in April, 1927, were brought together under an organization which is now known as the Maritime Cooperative Services.

After some years in livestock marketing that organization felt they should service their people, and it first went into feed and now it is in general lines of service to farmers, such as spray materials, fertilizers and so on. They have a volume of business amounting to something like \$20 million a year. They service possibly over half of the farmers of Nova Scotia and New Brunswick, maybe 60 per cent of them, and to some extent in Prince Edward Island. Possibly that will give you sufficient background.

I should go a little further and say that the maritime provinces, including Newfoundland, bring in from western Canada annually 300,000 tons of subsidized feeds, which as you know now are grain mill feeds and screenings. Of that amount, our organization, the Maritime Cooperative Services, handle over 40 per cent in Nova Scotia and New Brunswick.

I should point out about myself—though perhaps it is not very interesting because you have already heard a little to this effect—that I have been associated with agriculture for 40 years. First I was with the Department of Agriculture and Livestock, New Brunswick, later in the department here, then in Nova Scotia, and then in western Canada for a short time on livestock promotion. Later I was professor of animal husbandry in an agricultural college. I then went to the Canadian National Railways, and finished as superintendent of agriculture for that company, with scope from coast to coast: I have been back in Nova Scotia for 30 years, first as director of marketing—there was no deputy minister at that time—and later as deputy minister. I retired a year ago, up to full age, too, at the time.

Mr. Dernier, who is the general manager and wrote the letter, is ill, and I was asked to fill in in his place. I am not a technical grain man or a feed man. The first thing I want to say to you is that we fully subscribe to the representations made by the Canadian federation of agriculture. The main theme of their recommendation is that an independent agency be established, one that can work with all the departments involved. As you know—it has been said to you many times, I know, because I have read all the evidence, and I am trying not to repeat—there are four agencies involved at all times.

There are four agencies involved at all times. We believe that co-ordination can bring about the effect of getting feeds to the feeders of livestock in eastern Canada with the least friction and the least costs, and that it will not

in any way interfere with the price that the western farmer gets. We just want a little efficiency and a little help.

We in the east, our organization, are very happy that the three prairie provinces have the finest marketing system on the North American continent. I refer, of course, to the Canadian wheat board. And I think this year has proved more than previous years that this statement is correct. They are doing a tremendous job. They are charged by the government of Canada to do the best they can to sell the product of the prairies in the form of grain to the world at the best price to the western farmer, and we have no complaint on that.

We do, however, want something to work for us in the east, and a comparable type of service that can be rendered by a central independent agency—not an arm of government, or not a part of a department. We believe that they can do that very effectively. We do not think, or we do not recommend, that it is necessary that such a body or agency be in the marketing, the buying and selling. I want to make that very clear from the beginning.

This is not my own opinion alone. It is not the opinion of any one man. It is the opinion of the Canadian Federation of Agriculture and the eastern agricultural feed committee of which I am a member. By the way, there are nine members, and we have met 11 times since September, 1962.

There are three from Ontario, three from Quebec, and three from the maritimes. We work on these plans, we discuss matters with the ministers and others, and we pass along our recommendations to the Canadian federation, while they in turn have supported our representations. The brief that was made to the Hon. Harry Hays and his associates on May 8 by the Canadian Federation of Agriculture embodies practically the same recommendations that you have heard since then. I think I have said almost everything as fast as I could, having in mind the time factor.

The CHAIRMAN: Thank you, Dr. Walsh. I know the members will want to ask you some questions. I have on my list Mr. Pigeon and Mr. Danforth.

Mr. PIGEON: My first words are to congratulate Dr. Walsh for his statement. Now, may I ask you, sir, in view of the emergency situation we have in British Columbia and in the eastern provinces, if you recommend that government take steps next session to create this body?

Mr. WALSH: Mr. Chairman, and Mr. Pigeon, that is exactly what we hope will happen. We would like to see this in full operation by the beginning of this crop season, which would be the 1st of August. And if that is to be done, it will have to be set up a little earlier.

Mr. PIGEON: What do you recommend in view, of your experience, to stabilize the price of feed grain, so as not to have any speculation?

Mr. WALSH: There has been a great change in the system of freight assistance since its inception. It was started in October, 1941, and at that time the principle of the policy—which I think is still held—was that it deliver feed to all parts of eastern Canada and British Columbia at equal transportation costs to the feeder. Is that clear. I would like to do this because it has a bearing on your question. At that time, it was 50 cents per ton to the man in St. Hyacinthe, to the man in Guelph, and to the man in Truro, Nova Scotia. Subsequently there was a change in the freight rates. Many of them were absorbed by the Department of Agriculture or the government. Gradually they went up, but in doing so we did not go up uniformly. We in the maritimes have our mill feed screenings which up to now have come forward almost solely by rail. They are bagged, as you know. We pay \$6.20 freight, so we do not get it as a gift.

With the seaway there have been some changes, and as far as possible they are being utilized. But there are some embodiments—am I getting too



much into detail? There are some embodiments in getting all of it on water and water only, because that means that there are some areas which at the present time we cannot service well. There are not elevators where there should be elevators. We think the job of the agency should be to study this problem. I do not want to go down and say it should be "there". We want them to study it.

If there is an end effect, it will save money for the feeders and the government. If there is volume now for a port, let us do something about it. I have before me—and I will file it—it is nothing very pretentious—a map of eastern Canada, a blue print\* which shows all the elevators, the public elevators, that are utilized. It will show what I am trying to say to you. It shows that Halifax has the only elevator in the maritimes with facilities for unloading and loading grain, and that if we move back, if we move to extremities of our provinces, we may have to go 300 miles to service them. On the other hand, up in Ontario, and to a little extent in Quebec, there is not too much. There are no elevators further than from 60 to 70 miles from the farmer. That is the situation.

Mr. CHAIRMAN: Thank you. May I ask the committee if it is agreed that this map supplied by Dr. Walsh indicating the location of grain elevators in eastern Canada be filed and appended to the proceedings of this committee?

Agreed. (See appendix "A".)

Mr. PIGEON: You are speaking in favour of creating an agency. Do you mean for that agency to create a kind of pool?

Mr. WALSH: No sir, we thought of an agency to study the cheapest and best means of transportation of this commodity. It would administer the freight assistance policy and would work with all the agencies interested in grain movements, such as the harbours board. I have discussed it with some of them and they would welcome such an agency. We did not envisage it to be large; we only envisaged one good man, and if we get the right man he may need a couple of assistants. That is the kind of board we wanted so as to tie these things together, and not a big operating organization.

Mr. DANFORTH: Mr. Chairman, we have a witness before the committee who is so well versed in all aspects of the problem we are studying that I would like to ask him some questions concerning the different phases. To begin with, sir, I am very interested in your co-operative and in your remarks that you serviced a number of farmers. Since this is a co-operative, are these farmers members of the association or does the association only provide services to these farmers? Do they have rebates; do they pay membership fees; are they in any way affiliated directly with the co-operative itself?

Mr. WALSH: The maritime co-operative is the central co-operative for the three maritime provinces, and its members are the local co-operatives. The farmers are direct members of the local co-operatives under the rebate system and all the other things that go with co-operatives. They are an affiliation of possibly 225 co-operatives.

Mr. DANFORTH: These are tied in by boards of directors and representative bodies.

There is another thing in the statement submitted to us on which I have a question. Both you and the Canadian Federation of Agriculture have suggested that a central feed agency be set up, and you, as well as the Canadian Federation of Agriculture, have recommended that perhaps this could be handled by a single competent individual plus some associates. However, on questioning, the secretary of the Canadian Federation of Agriculture said that in their opinion this man would be employed in an advisory capacity only. And yet, I see that your submission here suggests that they should have power



to administer the policies. Is there any difference in opinion in there? Is it your opinion that it should be carried one step further?

Mr. WALSH: I am not too clear on that statement concerning the advisory capacity. I thought we were in complete agreement, and as I have already said the agency would do everything humanly possible to work with the existing agencies, the feed producers and handlers, to smooth out these things. However, we did ask that the agency be just like the Canadian wheat board, that they in turn work under an advisory committee that would be in close touch with the agency at all times.

Mr. DANFORTH: Then your interpretation is that the agency working in an advisory capacity only would lack the necessary powers, should they be necessary?

Mr. WALSH: My opinion is that the agency should have rather wide and firm powers and that they work under an advisory committee made up exclusively of farmers, such as stock feeders and purchasers of grain.

Mr. DANFORTH: We would have in effect two bodies, an advisory body representing the farmers and particular segments of the business concerned, and this proposed government agency with powers to administer. Am I correct in this assumption? Is this the picture you portray?

Mr. WALSH: I think that is right. We would have an agency, a government organization with administrative powers, and then the government would name an advisory committee to work with the agency on making policy and advising on things that the people need. The agency would be made up of purchasers of western feed grain and livestock feeders.

Mr. DANFORTH: I should like to carry this a little further. You are quite familiar with government departments. Would you envisage the agency as being in the civil service category and the advisory board being appointed by the government?

Mr. WALSH: I envisage it to be just like the Canadian wheat board. What we would like would be an agency just like the Canadian wheat board with an advisory committee attached to it.

Mr. DANFORTH: It was my understanding, when questioning the secretary of the Canadian Federation of Agriculture, that their policy was that this agency be in an advisory capacity only with no administrative powers.

There is another statement here in this brief which I should like to refer to. It deals with the fact that the Canadian feed manufacturers in eastern Canada are working on perhaps the narrowest margin of any manufacturing business in Canada. This puzzles me because the whole purpose of this committee is to determine why there is such a large discrepancy in price—and if there is one—between the western producer and the eastern feeder. And yet, each segment we have had in here, along the whole grain pipe line, has given us this same assurance, that their's is the smallest margin of profit mark-up of any business in Canada today. Now, we have reached the end of the pipe line and have received the same assurance, can you tell me whether there is in effect a large mark-up between the western producer and the eastern feeder, and if so, where does it occur?

Mr. WALSH: Now I am getting a little bit out of my field and we will get into some technicalities. I have said, and will support it, that the retail sellers of feed, the processors local and otherwise, work on very narrow margins, that is through the hundreds of little mills and distributors. You know how the purchases are made and the part which the Canadian wheat board plays in it. You know that there are agents in between there, brokers and agents, and that the delivery is finally made at some mill in the east where it is mixed into many kinds of feeds. There is a little thing there which can happen.

Maybe we may need some help and guidance, and this help and guidance may save us all some money. For three years we have tried to get space in the Prescott elevator, which is one of the elevators we use. We tried it in June, and in July and each time we were promised the space. At last the delivery was to be made in October, that was clear, but when we went to our grain agents who employ the boats, they could not move on the first of October because there was no space in Prescott. After a lot of hard bargaining each year we were successful in getting a boat tied up to the Prescott quays or wharf just about freeze-up time. We always got it about six weeks late and we had to leave the grain on the boat for a little while.

That does not answer your question, but the following one will, I think. This year, because of many factors that you well know, transportation, and the big overseas shipments and no space in Prescott, we were delayed and delayed. At last we got a boat. She just nosed in yesterday, I do not know how she did it. Before she got there we thought she was never going to make it so we started shopping around for feed to meet our needs in case the boat could not get here.

This is the statement I wish to put in; it was written on December 10: The reason we could not get the grain into Prescott, according to this statement, was the unavailability of space at Prescott, presumably owing to one or more grain brokers in the Montreal-Toronto area placing heavy stocks in this elevator during late summer and early fall, and after the close of navigation charging exorbitant premiums for the grain being held. I believe this is what you are trying to get at. I can only quote what the grain man tells me, because I am not an authority: This has been a common occurrence for the past number of years; it has resulted in the eastern feeder paying considerably more for his grain than should be the case. A Montreal grain broker—this is December 10—now is offering oats and barley spot Prescott at  $10\frac{1}{2}$  cents and 12 cents over the May option respectively; that is,  $10\frac{1}{2}$  cents in respect of oats and 12 cents in respect of barley. This is a premium of from 5 to 6 cents per bushel, or \$1.75 or \$2 a ton over what we paid for the grain at that spot some two weeks ago.

The point is that the over-all grain prices did not change, but the premium changed because the buyer wanted the grain, and if he could not get it off the boat, he would have to bring it in by rail which would cost him more. So, in a matter of hours or days the whole thing is changed. Thank God we do not have to take it, because we have the boat there.

Mr. DANFORTH: Mr. Chairman, may I follow this a little further. I think this is important. I would like to ask your opinion because of your experience. Would you say that in the past it has been a practice of grain merchants to bring in supplies and place them in terminal elevators in the east for distribution to the eastern trade through the different channels; that is, bring them in at low water rates during the navigational season and then create a rising price during the winter months that is just below the price which would be set on grain brought in by rail, whether or not this is in respect of the importation of foreign grain—and I am speaking of the United States? Can we be led to believe that this has been the picture?

Mr. WALSH: Mr. Chairman, and Mr. Danforth, I think you have stated my case better than I did myself.

Mr. DANFORTH: You agree that this has been the picture?

Mr. WALSH: Yes; that is where the spreads are.

Mr. DANFORTH: In other words, these grain merchants have had their nominal brokerage fees, and so on, plus premiums, because of the inability to obtain grain through any other source.



Mr. WALSH: In my opinion, sir, that is why some of those who give evidence to you in this committee are so violently opposed to the co-operatives. It is because the co-operatives do not have that interest; they are trying to pass it on to the feeders, but they get caught off base.

Mr. DANFORTH: Any profit which is accrued through the co-operative would go back to the farmer?

Mr. WALSH: Yes.

Mr. DANFORTH: Because the grain is in the hands of a very few men in the east, would it be possible at times that artificial scarcities, or rumours of an artificial scarcity, could create a drastic increase in prices?

Mr. WALSH: I think it is possible, sir; it could be. I do not know just what effect the rumours would have. The chances are not as great now as they were before the co-operatives were in the business. They are sort of a leveller of these things, especially in Quebec and our area where we are up in the 35 or 40 per cent category.

Mr. DANFORTH: It would follow then—and I can understand this—that your recommendation in respect of administering feed grain policies would make it possible for adequate supplies to be on hand to take care of the normal trading. This is my understanding of your word “administer”.

Mr. WALSH: We think that agency would sit down with the Canadian wheat board, the harbours board and the board of grain commissioners, to work out a formula whereby ample storage would be provided for bona fide users. It would be on a certain percentage basis in keeping with requirements; but it would prevent me, as a free wheeler from getting all the space so that you could not get in.

Mr. DANFORTH: I have one more question, Mr. Chairman, and then I will pass to someone else. I am sure others are interested in this. I am very much interested in the statement on page 2 where you say you were refused forward sales. Would you please elaborate a little on this. I think this is very important.

Mr. WALSH: That is the statement of Mr. Dernier who is the general manager. There was a problem for the Canadian wheat board. This year the situation was rather difficult and unique for them. They had a tremendous crop of wheat and the quality was extremely high. For feed, generally, we use the lower grades; all feeders do. I think what happened was that in their endeavour to get this freed and moving for overseas before the freeze-up, for some weeks they were not able to give us much consideration; one can understand that.

Mr. Dernier's point is, if they had accepted our purchases at the time we asked for them to be made—and they did not know they were going to have this kind of wheat at the time—we would have been buying a little more beneficially than we did two weeks later, or three or four weeks later. I think that is the point he is making. I am sure he is not trying to be very caustic toward the Canadian wheat board, but is pointing out that even the very righteous can slightly err at times.

Mr. DANFORTH: Would it be possible for grain merchants who are pretty close to the transportation facilities to in any way tie up or make impossible the procurement of sufficient cargo space to move your orders at the proper time; would it be possible to have a manipulation in this field; would it be possible for grain merchants to move grain for themselves in such a way that it would create the position you found yourselves in owing to the tie-up on the lakes, and that this could be the cause rather than anything which is under the jurisdiction of the Canadian wheat board.



Mr. WALSH: Mr. Chairman, I was very nervous when I came here. I am not afraid to talk. However, I want to say you are asking awfully good questions. That certainly is possible and probably is what has been done. That is the reason we want someone to protect us against it getting worse in the future.

Mr. ENNS: Mr. Chairman, I have a supplementary question. The line of questioning which Mr. Danforth has pursued has interested me very much; mention was made that space was denied at Prescott, and I am wondering at what time does the wheat or feed become the property of Maritime Co-operative Services Limited? At what point is it designated your wheat as such? Does it come into the elevator marked as your wheat?

Mr. WALSH: I think I can explain that, sir. It is a little bit complicated. We could buy direct from the Canadian wheat board but we would have to have a seat on the grain exchange. However, we feel that there are companies in Canada—there are 12 of them, five of which are actively engaged, and you had their names given to you at one other sitting—which offer a big service. These companies are located mostly in Winnipeg; they will buy the grain and arrange for it to be put on a boat, as well as arranging the space for you in the elevator.

Mr. ENNS: But is it not still the agent's grain at this point?

Mr. WALSH: No; it is earmarked as our grain; we have bought and signed all the certificates in respect of this grain, and the price is the price we signed for on that date. As I say, they do perform these services for us.

The reason we could not get into Prescott was that they will not load the boat unless they can unload it. Does that answer your question?

Mr. ENNS: I was under the impression if you had arranged for a certain space in June that you would have arranged for a certain specified space, whether it be calculated by cubic feet or bushels. I thought perhaps the difficulty arose because of the fact that the grain did not come in as your grain, so to speak, but as an agent's grain. I am thinking of McCabe, Richardson or someone else. I thought perhaps that it only moved out as your grain from Prescott and as a result of that there might be some difficulty.

Mr. WALSH: As far as I am concerned, and I think I am right in this connection,—I am somewhat on cloud 8 at this point because I do not do this type of work—we buy the grain and it is our grain. McCabe, Richardson and some of the others are agents, and they arrange for everything else. But, when it enters the elevator it is then eartagged as our grain. At least, that is my understanding. All the time it has been our grain. There may have been a boat there that holds 1 million bushels and we only had 218,000 bushels of sample wheat, not even grade wheat, so it must be kept intact.

The CHAIRMAN: Have you a question, Mr. Whelan?

Mr. WHELAN: Mr. Chairman, a great number of the questions I was going to ask have been answered satisfactorily. One of my questions concerned freight assistance. It was mentioned I believe, in the Canadian Federation of Agriculture brief or in some other brief that they wanted facilities for unloading grain from vessels and delivering it to railway cars and trucks at Saint John. What volume would go through that elevator if these facilities were made available?

Mr. WALSH: I am very delighted to try to answer that question; I am getting back home again.

I said that Nova Scotia uses 150,000 tons a year of subsidized feed; New Brunswick uses 100,000 tons. Of course, this figure varies to some extent and the last figures are a little lower because we are in the corn deal pretty heavily; it is not in but that is about normal. As you know, we are a country of small farms, but I do not need to go into that with you at this time. The

last figure I saw in respect of the six southern counties of New Brunswick—and, Mr. Phillips can give you these figures right down to the times—indicated that 65,000 tons, which represented about 70 per cent of the grain that moves to New Brunswick, is distributed within 70 miles of the Saint John elevator. For that reason and for the good of ourselves and for the purpose of saving some money we have been asking for two years that Saint John be equipped to handle that grain.

Mr. WHELAN: Have you ever found out what the cost of putting these facilities in would be?

Mr. WALSH: No.

Mr. WHELAN: I have one further question; you mentioned corn and, of course, our area ships quite a bit of corn to the maritimes. Are you satisfied with the situation in respect of freight and storage assistance on corn in comparison with western feed grain, when corn is a high energy livestock feed?

Mr. WALSH: We co-operate with the Ontario people right through in respect of this whole matter and we supported them on this subject. We were pleased to have some of our ideas accepted and I think they were pleased too. We want to use Canadian grain and livestock feeds. We want to use the feed that comes to us the cheapest and we would rather use Canadian.

There is something at this point I wish to say, on which the westerners have been very quiet. They may not realize it but the first idea in respect of freight assistance for grain in Canada, to the best of my knowledge, was put forward in a speech in the Windsor hotel in Montreal in April, 1939, and it was made by westerners. I like the westerners very much; I think they are fine people. But, they are just human and when they get a pile of grain out there and they do not know what to do with it they just love our market. We have a 100 million bushel market here and it could grow into 200 million bushels if we produced the livestock we should produce in the east, and I think we will. We want to do it. We have more of a grass climate than grain climate east of Toronto. However, this was a western group which came down; I will not name all of them except to say that the group was headed by a man you all have heard about, the hon. John Bracken. I want you to know where this idea came from. I hope you westerners remember some day in the future you may need us as a market. I am not being critical but I notice the complexion does change according to the pile-up.

Mr. ENNS: I am glad you qualified your last statement, when you said: you may need us for a market.

Are you quite optimistic in respect of the future of the livestock industry in the maritimes? What do you envisage for this industry? What are the potentialities and possibilities in respect of it in the maritime provinces?

Mr. WALSH: We are getting into a subject now on which I like to speak. We are an area of small farms. I do not know why I broke off at Toronto; you may object to my division. Ontario is a tremendous province for grain growing but I think most of it is west of Toronto. Eastern Ontario, Quebec and the maritimes are not very much different in many respects agriculturally. We in the maritimes have a heavy rainfall and we can grow grass as good as any place I have ever seen, and I have been all over Canada, the United States and most of Europe. Ours is a grass growing country. It was our concept when this western group came down that we would grow grass and livestock and would buy grain.

Let us get into a discussion of the dollars and cents economics involved. I want to put this statement on the record because many people forget things and I will not be here very long to remind them.



The point is that if you grow grain at the average yield we get for oats in Nova Scotia a net, over labour, of about \$24 per acre. If we put beef cattle on the grass and get 400 pounds per acre, and we can get 500 pounds, the gross is \$80 and it costs \$20 for fertilizer and labour, so we get \$60. If we feed the grass to dairy cows on a fluid milk contract we get \$125. With our limited acreage why should we grow something that you people can make money on if you have a thousand acres and we have only 20 acres at \$20? We could not continue on that basis, so we want to continue to grow grass. I want to make that statement clear because this has a bearing on the future program.

Mr. WHELAN: I should like to ask one further question in respect of what Dr. Walsh has said about the grain storage. I see Mr. Phillips is here. Perhaps he could clarify some of the questions in respect of the position of the grain, who it belongs to at different stages.

Mr. OLSON: Mr. Chairman, I have two further questions to ask Dr. Walsh.

The CHAIRMAN: Perhaps I might interject at this point. Possibly we could leave those questions for the time being. I am sure we will be able to call Mr. Phillips back to answer any questions we have in this regard. I have on my list of individuals desirous of asking questions Mr. Olson, Mr. Ricard, Mr. Vincent and Mr. Watson in that order.

Mr. OLSON: Dr. Walsh, I am very interested in the statement you made that even this year some of the grain brokers in offering their grain in store in eastern elevators are charging a premium. We are falling into the same pattern so far as sales are concerned as in previous years in spite of the fact the federal government advanced \$1 million with a view to getting more in store in eastern terminals. In fact, we have 65 per cent more grain in store in eastern terminals now, but in spite of this the ultimate feeder is still subject to this premium; is that correct?

Mr. WALSH: Mr. Chairman and Mr. Olson, I read that statement which you have read which came from our grain man and was written on December 10. I cannot amplify or qualify it in any way. I must stand by that statement because I do not know the facts.

Mr. OLSON: It would appear from that statement that in spite of the assistance by the federal government to the tune of \$1 million in respect of storage the brokers are still putting their premiums on in the same way as they have in past years. Whether you want to agree with that statement or feel that you should, it appears to me that is what has happened.

Mr. WALSH: A premium of five or six cents a bushel at \$2 per ton means a lot to us.

Mr. OLSON: Do you feel what I have stated is approximately what has happened this last year?

Mr. WALSH: Sir, I cannot answer that question because I can only express an opinion. I do not work on that end of the situation. We would have to talk to a man who has done this work for a number of years to get the proper answer to your question.

Mr. OLSON: Mr. Chairman, most of the questions I intend to ask have been asked and answered to some extent. As a matter of fact, the information that Dr. Walsh has given to the committee this morning has confirmed many of the ideas I have had in respect of this matter. I am concerned with the proper solution.

It appears there is a little bit of difference between your concept of what this advisory board should be, and what the federation of agriculture thinks it should be. Do you think that an advisory board without power will make any difference to the grain merchants and brokers in that they will continue



to actually do business in a different way, thereby solving the situation? In other words, if we have a board set up that has power in respect of credit and can make farm purchases, make arrangements for space and get grain into this space are we really going to solve the problem?

Mr. WALSH: First of all, sir, I want to say that I do not feel that my views differ from the views of the confederation. I do not think I misunderstand their views, but they have asked for an agency that would consist of one man with two assistants with full powers.

Mr. OLSON: That agency would not have power to buy grain, is that right?

Mr. WALSH: That board would have the powers to direct elevator space, assist in location of storage space, work out the best policy possible in respect of freight assistance and such other things that will facilitate the trade, except buying and selling. That agency may have some rules and regulations in that regard as well. The advisory committee would be a committee appointed by the government consisting of farmer, livestock, feeders and grain representatives in the east and B.C.

Mr. OLSON: Thank you very much Mr. Walsh. That statement somewhat changes my understanding of your concept. I did not understand you to say that you wanted this board to have powers of direction so that it could in fact order a certain space to be made available. If that is the concept you have that is somewhat different from my understanding.

The CHAIRMAN: Thank you Mr. Walsh. I wonder whether you would like to give the committee the name of your man who gave you the information in respect of the price increase in the event the committee at a later stage would like to hear his evidence?

Mr. WALSH: The man's name is Albert McTavish. I see he is an Irishman. He is a grain buyer for the Maritime Co-operative Services at Moncton.

The CHAIRMAN: Thank you, that is now on the record and the committee may want to call Mr. McTavish, or ask him to appear at a later date.

Mr. RICARD: Dr. Walsh, you mentioned earlier in your statement that you were a member of a body which was studying this matter, and you have met on a good number of occasions. You mentioned that there were three members from the province of Quebec. Who would those three representatives be, can you tell me?

Mr. WALSH: The members have changed slightly from time to time. They have not always been the same individuals. I understand they are Mr. Sorrel of the U.C.C. He has been a member a number of times. Another member is Mr. Paul Blouin. He is a feed man for co-operative aid, and there was a gentleman by the name of Pigeon. He is a farmer in the province of Quebec.

Mr. RICARD: Is Mr. Pigeon from Vercheres?

Mr. WALSH: That is correct. I could look up the names probably if you wish.

Mr. RICARD: That is all I wanted to know, thank you.

Mr. VINCENT: Are you aware that last year in September a committee was formed by the Minister of Agriculture known as the eastern feed grain committee or in French, le comité des graines de provendes de l'est?

Mr. WALSH: No. There were a lot of committees formed that fall. I know the Minister of Agriculture did form a committee, but the one I have in mind was a committee formed within the scope of the Canadian Federation of Agriculture.

Mr. VINCENT: If such a committee was in operation do you think this might be the answer to your suggestion and the suggestion in the brief of the F.C.A. and the U.C.C. in respect of an advisory committee?

Mr. WALSH: I think, sir, as you know, the composition of that committee to which you have referred represents people who are antifreight assistance for the east. Perhaps they will change if you put them on a committee, but I do not want to work with them. Does that answer your question? Is that an answer to it?

Mr. VINCENT: This is an answer.

You said a few minutes ago that you are not buying these 300,000 tons of grain directly from the wheat board.

Mr. WALSH: I said there are 300,000 tons handled in the maritimes and Newfoundland.

Mr. VINCENT: Of western grain?

Mr. WALSH: Western grain. I said 40 per cent was handled by the organization I represent; 30 per cent was handled by a national—I hope it is Canadian—firm; and the other 30 per cent was handled by four or five other firms. That is the 300,000 tons.

Mr. VINCENT: But the 40 per cent you are buying, you are not buying directly from the wheat board?

Mr. WALSH: We buy it through our agent.

Mr. VINCENT: A broker?

Mr. WALSH: A broker.

Mr. VINCENT: And the broker is buying from an agent of the wheat board?

Mr. WALSH: We buy it from one of those top four. You do not want to know the name, do you? I do not want to give them any free publicity.

Mr. VINCENT: Would it be possible for you to tell me what percentage of this 40 per cent your cooperative is buying, let us say, between September and November of each year.

Mr. WALSH: I am sorry, I cannot give it to you, you see, because I do not know. There is one little thing I think which may be of help to you and to me. We keep talking about grain all the time, and that is right in some circumstances, but we in the east use other feeds, mill feeds and screenings; so it is a different source from the source from which you buy, you understand.

Last year 29.4 per cent of Ontario's feed requirements was mills and screenings; Quebec, 32.8; New Brunswick, 25; Nova Scotia, 35.8; Prince Edward Island, 44.5; and Newfoundland, 40.9. It has a bearing, you see; you buy differently on that product.

Mr. VINCENT: If you were buying the biggest part of your feed grains from western Canada in these months, September to November, would it be possible if the government was paying the storage instead to you to store it in your own place, would it be possible to buy this grain during these months and store it in your own storage facilities close to the market.

Mr. WALSH: You would have to consider a number of factors before you could answer that question. That is one thing we want the agency to study. Is it better to have a large elevator and the associated mills around it? A modern feed mill costs \$500,000; it is not peanuts in our country. You have to have the mill to transfer it into feeds. Then would it be cheaper to have that at a central place using water transportation, or would it be better to put these little mills at some other place near the areas where it is going to be used? This is your question?

Mr. VINCENT: Yes.

Mr. WALSH: You have to consider the cost of transportation, the mileage involved, the volume of business in the area and the costs in the area, and so on. That is the only answer I can give you. I could not answer that. It is the agency's job to answer that.

Mr. VINCENT: So it is very important to have this agency as soon as possible?

Mr. WALSH: I guess so.

Mr. VINCENT: You spoke a few minutes ago about fertilizers. What about \$15 of fertilizer an acre? If you use \$15 worth of fertilizer an acre, how much money will that get back in beef or dairy produce?

Mr. WALSH: I say you would get a net of \$60 on beef and I say you would get a net of \$120 on fluid milk. I say a net—the fellow's work goes into it a little.

Mr. BEER: In what period?

Mr. WALSH: One summer.

The CHAIRMAN: Mr. Watson, you have a question just before we rise?

Mr. WATSON (*Assiniboia*): Just to clarify my own mind I would like to ask Dr. Walsh, about these elevators in the east being equipped. Do these elevators buy from farmers and resell in the same way as we do in western Canada.

Mr. WALSH: No.

Mr. WATSON (*Assiniboia*): Is it strictly for unloading off the boats and working in reverse from the way in which we work?

Mr. WALSH: The only elevator down there that is fully equipped for putting in and taking out is the government elevator, the harbours board elevator, at Halifax. It has a capacity of 4,100,000 bushels. We hope to ship out of that this year 25 million bushels. If we were to fill that with domestic grain it would clog your whole channel and we use in a year in New Brunswick and southern Nova Scotia six million bushels—I transfer into bushels. Therefore there is insufficient capacity to do it without plugging it up. However, we buy and sell, we do not feed it all.

Mr. WATSON (*Assiniboia*): I have one more question. I believe there was a witness here the other day who said in his opinion there was too much feed grain in store in eastern Canada. Do you agree?

Mr. WALSH: He wants that premium, anyway. I guess that is the answer. We are getting pretty direct here now.

The CHAIRMAN: Gentlemen, I think we went along very well this morning. I want to thank the committee. But before I thank Dr. Walsh, does the committee agree that the letter from Mr. Dernier, dated December 10, 1963, be incorporated in the proceedings.

Agreed.

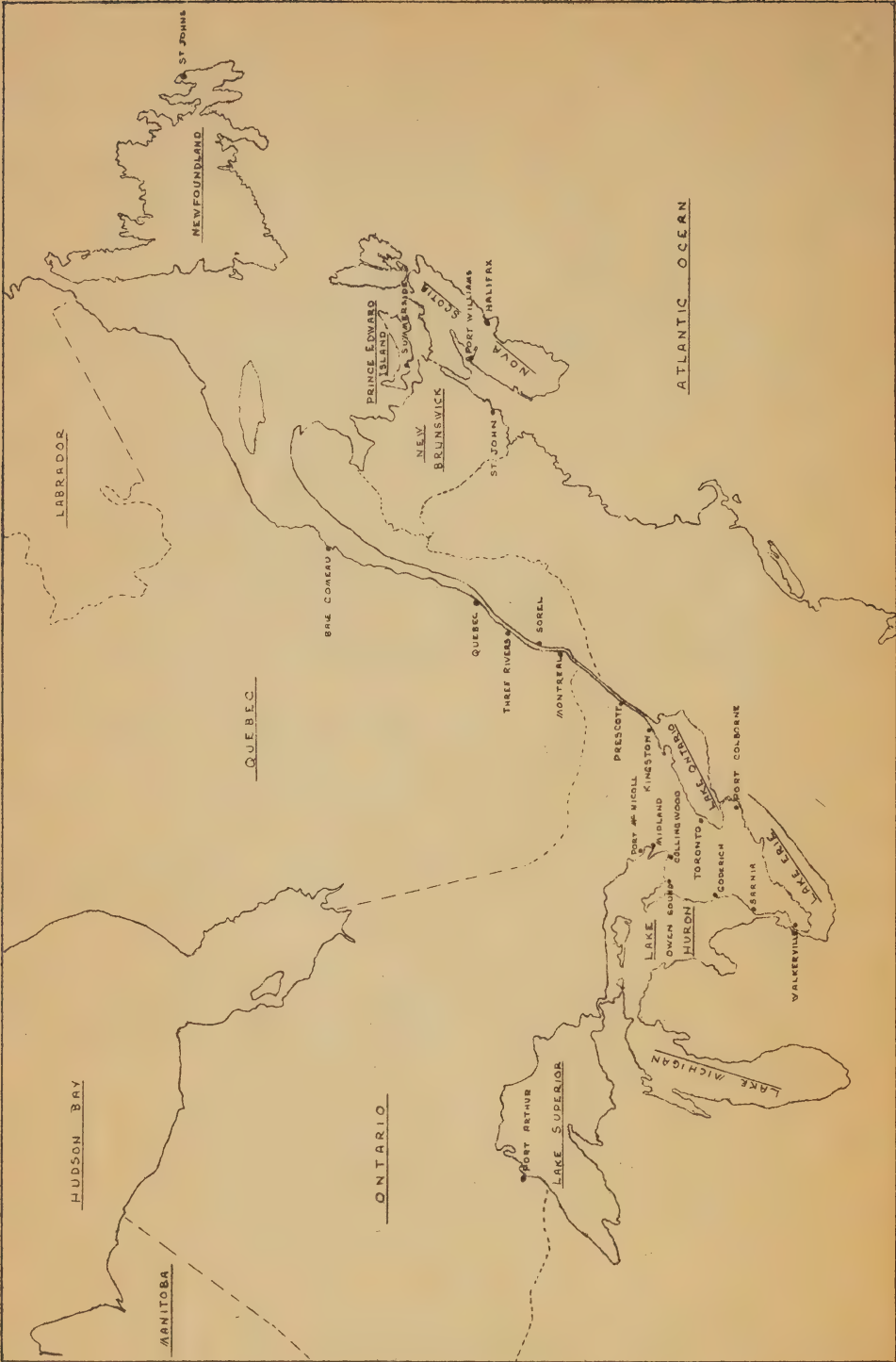
We would like to meet this afternoon to prepare our report to the house. The steering committee has approved a draft report and we would like the advice of the committee to finalize it so we can report to the house tomorrow. Is 3:30 agreeable to the members of the committee?

Agreed.

I know you would like me to thank Dr. Walsh for coming here. We have had a very good meeting. Thank you very much Dr. Walsh.

The committee will meet in camera this afternoon at 3:30.





## APPENDIX (2)

MARITIME CO-OPERATIVE SERVICES LIMITED  
P.O. BOX 750, MONCTON, N.B.

December 10, 1963.

Mr. D. E. Levesque, Clerk  
The Standing Committee on  
Agriculture and Colonization,  
House of Commons,  
OTTAWA, Ontario.

Dear Sir:

We acknowledge your notification of a hearing on December 19th, at 9:30 a.m. at which time your Committee would receive a delegation from this organization. We understand your Committee will be giving consideration to various aspects of the feed grain situation in Eastern Canada, included in which would be the difference in price received by grain producers in Western Canada, and the price paid by livestock feeders in Eastern Canada.

The feed grain and freight assistance question has been given much careful consideration by organized agriculture, both on an Eastern and an all-Canadian basis in the last two years. Through the Canadian Federation of Agriculture we have a clear-cut definite policy in this regard which we understand will be presented to your Committee previous to December 19th. Maritime Co-operative Services fully endorses this policy of the C.F.A. and we would respectfully suggest that the setting up of a Feed Grain Agency to study, then administer feed grain policies is long overdue.

There are problems of transportation, congestion, etc. at certain times of year and problems when shortages exist, of premiums being charged for grain in Eastern Canada. In the overall the problem is not one difficult of solution. Organized agriculture feels that an agency is necessary to solve these problems due to the fact that at least three departments of government are involved, and we sometimes find many frustrations in arriving at solutions to rather simple, but irritating, problems.

It is also necessary that there be an administration of feed and freight assistance policies that is impartial and fair, and is very conversant with all phases of the handling of feed grain.

It is absolutely necessary that a producer appointed committee be advisory to this agency with real powers.

This agency can be an influence in Eastern Canada as valuable to our whole economy as the Wheat Board in the West.

We would stress that no change be made in the present freight assistance policy until this agency is set up.

It would take many weeks to develop the detailed statistics of the spread between the price western grain producers receive for grain and the price eastern livestock feeders pay for livestock feed. This has been surveyed many times, and we suggest it is sufficient to say that it has been established that apart from the periods when short supply produce premiums, the eastern Canadian feed manufacturing business is one of the narrowest margin manufacturing businesses in Canada.

We might say that Maritime Co-operative Services Ltd., as a policy, has always arranged for our grain supplies well in advance of the close of navigation each year, and in this way has avoided paying the excess premiums in the years that these premiums have existed. To quite an extent, lack of proper organized purchasing has been one of the problems, and this is being brought under control through producer-owned organizations such as ours.

We would stress that Eastern livestock feeders do not feed grain but scientifically prepared balanced rations using many ingredients. The efficient producer takes this in bulk trucks to automatic feeder bins in his livestock and poultry houses.

We would raise one point concerning the operation of the Canadian Wheat Board which we have protested to the Minister of Trade and Commerce as being discriminatory. At times such as the sale of wheat to Russia during late August and early September domestic purchasers of feed wheat were refused forward sales. We were allowed to purchase feed wheat only if we had a boat ready to load at the Lakehead, while at the same time export sales were being made for many months ahead.

We attempted to purchase feeding wheat of a grade to be established at time of shipment as was being done for the export market, but this request was refused. The price of Number Five Wheat advanced  $12\frac{1}{2}\text{¢}$  a bushel from August 27th to November 27th, while export sales contracts were at a fixed price. This, we believe to be discrimination against the domestic feeder.

We have asked Dr. F. W. Walsh to appear before your Committee on our behalf on December 19th. Dr. Walsh is a member of the Feed Grain Committee of the Maritime Federation of Agriculture.

Yours very truly,

W. D. DERNIER,  
*General Manager.*

W. D. Dernier/mty

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